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CITY OF LOS ANGELES  
OFFICE OF THE CHIEF LEGISLATIVE ANALYST  
CITY COUNCIL

KEN SPIKER

CHIEF LEGISLATIVE ANALYST

Los Angeles Harbor Department  
Harbors -- CA -- LA  
LA -- Harbor

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Honorable Members of the  
Industry and Transportation Committee

FEB -2 1978

Honorable Members:

UNIVERSITY OF CALIFORNIA

Your Committee has requested that the Chief Legislative Analyst study and report on a series of questions related to the operation of the Harbor Department. Your request originated through Committee consideration of a Council motion (Ferraro-Wilkinson) which refers to the announcement of a contract between Standard Oil Company of Ohio and the Port of Long Beach, and which proposes an investigation of the procedures used in our City's efforts to secure harbor contracts to see if improvements are necessary to place Los Angeles in the best possible position to obtain future port business.

In responding to your direction, we have divided our study into eleven areas which correspond to the issues raised at your May 12, 1976 meeting. Our central conclusion is that there is a need for the major policy decisions which govern operation of the Port of Los Angeles to be formulated on a consistent, uniform basis, with a clear line of decision-making authority. It is our view that the economic responsibilities of the Port in attracting trade require a structure which encourages a greater stability and continuity of policy direction than the Commission has been able to provide. This instability has been evidenced in the lack of a fully developed long-term planning process for the Port.

Our principal recommendation is therefore that the City Council place a measure on the ballot to amend the City Charter by discontinuing the "proprietary" status of the Board of Harbor Commissioners and by placing the Harbor Department under the supervision and control of the Mayor and Council. As alternatives of more limited scope, we are also submitting a number of recommendations not involving a Charter change which we believe would benefit operation of the Port.

To perform our study, we have obtained and reviewed information on Harbor Department operations on a continuous basis since the date of your Committee's direction. This information was derived from such sources as review of records of the City and its Harbor Department; interviews with Harbor Department staff, other ports' staff, present and former Harbor Commissioners, present and former Port tenants; and observation of Harbor Commission proceedings.

Presentation of our study to your Committee has been delayed

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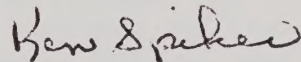


to obtain further information from what we consider to be an important outside source -- the Industrial and Administrative Survey of the Department conducted by the consultant firm of James R. Leonard Associates, Inc. in concert with the Engineering and Management Sciences Corporation and the Economic Resources Corporation. This survey was officially received by the Harbor Commission on December 21, 1977. However, we were not able to obtain a copy until some time later due to delayed delivery from the company to the Department.

As we will note in various sections of this report, certain of the findings and recommendations of the industrial and administrative survey have been examined in light of the questions we were asked to study. From our initial review, we do not believe that the consultants' conclusions would lead us to substantially alter our recommendations. We wish to emphasize, however, that we have not completed a thorough analysis of the independent survey in time for your hearing date of January 17, 1978.

A summary of our recommendations follows as an attachment. We will be pleased to provide further explanation or information on any of these topics at your request.

Yours truly,



Ken Spiker  
Chief Legislative Analyst

KS:ts

Attachments: Summary of recommendations  
11 sections of report





## SUMMARY OF RECOMMENDATIONS

### Part #1. Establishment of Qualifications for Harbor Commissioners and Appointment of an Independent Commission Staff Position

#### RECOMMENDATION:

If the Department is to retain its current Charter status, that:

- A. The City Council establish a policy setting guidelines related to the duties of members of the Harbor Commission, and indicate to the Mayor that the Council will review future appointments by these standards.
- B. The City Council suggest to the Commission the establishment of a Commission staff position, directly responsible to the Board, to provide independent input on matters of Board responsibility.

### Part #2. Department Personnel Procedures


#### RECOMMENDATION:

If the Department is to retain its current Charter status, that the City Council suggest to the Board that the Department's Employee Grievance Policy and Procedure be amended to designate the General Manager as the final level of review and to provide that grievances submitted by employees who are covered under a grievance procedure in an MOU shall be considered by the Commission following advisory arbitration.

### Part #3. Department Contract Processing

#### RECOMMENDATION:

- A. That your Committee request the Department to report on the steps which the Department has taken to assist potential tenants in meeting environmental requirements to reduce the time involved in obtaining a lease or permit.
- B. That, if the Department is to retain its current Charter status, your Committee consider the following two-part proposal to reduce the time in review and approval of Harbor contracts by having the Mayor and Council consider such contracts in the same time period, rather than in separate stages:



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- (1) The Mayor and Council cooperatively develop a set of policies covering major elements of those Harbor contracts for which the Charter requires Council approval.
- (2) The Harbor Commission be directed to indicate when submitting a contract to the Mayor and Council (at the same time) that the contract complies or does not comply with the policies.

Part #4. Recommended Charter Changes in City/Harbor Structure

RECOMMENDATION:

That the Charter be amended to discontinue the "proprietary" status of the Harbor Commission and to place the Department under the supervision and control of the Mayor and Council.

Part #5. Federal Maritime Commission Investigation of the Harbor Department

NO RECOMMENDATION - Matter closed by Federal Maritime Commission.

Part #6. Disposition of Revenues from Land Transferred from the City to the Harbor Department

NO RECOMMENDATION - Matter determined by settlement agreement between City, Harbor Commission and State Lands Commission.

Part #7. Harbor Department Reimbursement to the City for Special Services and General Obligation Bonds

NO RECOMMENDATION - Matter of bonds determined by settlement agreement as above; matter of services reimbursement is subject of current Finance Committee report to Council.

Part #8. Status of Recommendations of City Administrative Officer's 1974 Management Audit of Department

NO RECOMMENDATION - Status of items detailed in report.

Part #9. Harbor Department and Commission Operations Which Could Be Improved Re L.A.'s Competitive Position with Long Beach

RECOMMENDATION:

That the City Council support the Harbor Department's proposed 5-year capital program, so long as full reimbursement is provided to the City for special services, including fire protection.

That the Harbor Department be requested to work with the Chief Legislative Analyst to identify and secure additional grant funds for the support of Harbor projects.





Part #10. Reasons for Delay in Filling Vacancies in Department's  
London and Tokyo Offices and the Need for These Offices

NO RECOMMENDATION - Department information cited in report.

Part #11. Harbor Commission and Department Compliance with City's  
Legislative Procedure Manual

RECOMMENDATION:

That the City Council express its intent that the spirit of its Legislative Procedure Manual be followed in all instances.





## SEQUENCE LIST OF RECOMMENDATIONS

- I. THE FOLLOWING PARTS OF OUR REPORT CONTAIN NO RECOMMENDATION. BASED ON OUR STUDY, NO ACTION IS NECESSARY.

Part #5. Federal Maritime Commission Investigation of the Harbor Department

NO RECOMMENDATION - Matter closed by Federal Maritime Commission.

Part #6. Disposition of Revenues from Land Transferred from the City to the Harbor Department

NO RECOMMENDATION - Matter determined by settlement agreement between City, Harbor Commission and State Lands Commission.

Part #7. Harbor Department Reimbursement to the City for Special Services and General Obligation Bonds

NO RECOMMENDATION - Matter of bonds determined by settlement agreement as above; matter of services reimbursement is subject of current Finance Committee report to Council.

Part #10. Reasons for Delay in Filling Vacancies in Department's London and Tokyo Offices and the Need for These Offices

NO RECOMMENDATION - Department information cited in report.

- II. THE FOLLOWING PART CONTAINS A REQUEST FOR INFORMATION WHICH YOUR COMMITTEE MAY WISH TO MAKE:

Part #3. Department Contract Processing

- A. That your Committee request the Department to report on the steps which the Department has taken to assist potential tenants in meeting environmental requirements to reduce the time involved in obtaining a lease or permit.

- III. THE FOLLOWING PART CONTAINS NO RECOMMENDATION, BUT MAY BE OF INTEREST TO YOUR COMMITTEE TO REVIEW:

Part #8. Status of Recommendations of City Administrative Officer's 1974 Management Audit of Department

NO RECOMMENDATION - Status of items detailed in report.





IV. THE FOLLOWING PARTS CONTAIN RECOMMENDATIONS CONSISTENT WITH CURRENT CITY POLICY:

Part #9. Harbor Department and Commission Operations Which Could Be Improved Re L.A.'s Competitive Position with Long Beach

RECOMMENDATION:

- B. That the Harbor Department be requested to work with the Chief Legislative Analyst to identify and secure additional grant funds for the support of Harbor projects.

Part #11. Harbor Commission and Department Compliance with City's Legislative Procedure Manual

RECOMMENDATION:

That the City Council express its intent that the spirit of its Legislative Procedure Manual be followed in all instances.

V. THE FOLLOWING PARTS CONTAIN POLICY RECOMMENDATIONS WHICH COULD BE EFFECTED WITHOUT AMENDMENT OF THE CITY CHARTER:

Part #1. Establishment of Qualifications for Harbor Commissioners and Appointment of an Independent Commission Staff Position

RECOMMENDATION:

If the Department is to retain its current Charter status, that:

- A. The City Council establish a policy setting guidelines related to the duties of members of the Harbor Commission, and indicate to the Mayor that the Council will review future appointments by these standards.
- B. The City Council suggest to the Commission the establishment of a Commission staff position, directly responsible to the Board, to provide independent input on matters of Board responsibility.

Part #2. Department Personnel Procedures

RECOMMENDATION

If the Department is to retain its current Charter status, that the City Council suggest to the Board that the Department's Employee Grievance Policy and Procedure be amended to designate the General Manager as the final level of review and to provide that grievances submitted by employees who are covered under a grievance procedure in an MOU shall be considered by the Commission following advisory arbitration.





Part #3. Department Contract Processing

RECOMMENDATION:

B. That, if the Department is to retain its current Charter status, your Committee consider the following two-part proposal to reduce the time in review and approval of Harbor contracts by having the Mayor and Council consider such contracts in the same period, rather than in separate stages:

(1) The Mayor and Council cooperatively develop a set of policies covering major elements of those Harbor contracts for which the Charter requires Council approval.

(2) The Harbor Commission be directed to indicate when submitting a contract to the Mayor and Council (at the same time) that the contract complies or does not comply with the policies.

Part #19. Harbor Department and Commission Operations Which Could Be Improved Re L.A.'s Competitive Position with Long Beach

RECOMMENDATION:

A. That the City Council support the Harbor Department's proposed 5-year capital program, so long as full reimbursement is provided to the City for special services, including fire protection.

VI. THE FOLLOWING PART CONTAINS A RECOMMENDATION INVOLVING THE AMENDMENT OF THE CITY CHARTER:

Part #4. Recommended Charter Changes in City/Harbor Structure

RECOMMENDATION:

That the Charter be amended to discontinue the "proprietary" status of the Harbor Commission and to place the Department under the supervision and control of the Mayor and Council.





1. Establishment of Qualifications for Harbor Commissioners and Appointment of an Independent Harbor Commission Staff Position

BACKGROUND:

One of the items that we were asked to review in the Harbor study was "the method of commission appointments and method of selection". In this review, we were to make recommendations on the merits of establishing qualification standards for Harbor commissioners versus the present structure which does not specifically require experience directly related to the responsibilities of the Commission. We were also asked whether independent Commission staff would be of assistance to the Board.

After a review of the current Charter responsibilities and the recent history of the Commission, we have formulated two recommendations which we believe would be productive changes. If your Committee and the Council support our recommendation for removal of the Harbor Department's proprietary status, these recommendations should be modified or not used, depending on the Commission's status after the Charter amendment.

RECOMMENDATIONS:

If the Harbor Department is to retain its current status as a "proprietary" department headed by a commission, we recommend as follows:

1. That the City Council establish guidelines related to the duties of members of the Board of Harbor Commissioners, and indicate to the Mayor that the Council will review future appointments by these guidelines, stated as follows:

The appointee should have a background which provides experience transferrable to Harbor Commission service in the following or substantially similar areas -- land rental or leasing, purchasing, engineering, personnel, commodity transportation, financial management, construction of major facilities, port operation. Appointees with especially relevant experience in other areas may also be considered within the scope of this policy.

2. That the Council suggest to the Board of Harbor Commissioners the establishment of an independent Commission staff position, directly responsible to the Board, to provide independent input on matters of Board responsibility.



ALTERNATIVE OR ADDITIONAL MEASURES:

As an alternative or in addition to recommendation number one above, the Council could consider placing a measure on the ballot to amend the City Charter provisions on Harbor Commission membership to attempt to gain greater tenure of Commissioners. The following such measures could be considered:

1. A structure similar to the one used for the Federal regulatory commissions could be established, where appointees may not be removed during their terms without evidence of malfeasance or misfeasance in office.
2. The terms of Commissioners could be lengthened from the present five years.
3. Requirements for removal of Commissioners could be made more stringent -- for example, by requiring a 2/3 vote of the Council for removal. As you know, the Charter was recently amended to require a specific Council action (by majority vote) on the question of removal.

DETAIL - QUESTION OF ESTABLISHMENT OF QUALIFICATIONS:

As noted above, we are recommending that the City Council establish a policy which sets qualification standards for consideration of confirmation of appointees to the Harbor Commission. At the present time the only requirement for appointment to the Commission is that the appointee must be an elector of the City. This is a requirement imposed by Charter Section 72. The City Attorney has advised the Council that being an elector requires 30 days residence within the City, U.S. citizenship and 18 years' age. Under the present structure these are the sole legal qualifications required of Harbor Commission appointees.

Our research into this question involved interviewing present and past Harbor Commissioners, Harbor Department staff, and representatives of other ports and port associations, as well as observation of Commission hearings in recent months. The conclusion of our study is that the particular situation of the Board of Harbor Commissioners with the responsibility of operating a utility on behalf of the City, controlling its own funds, managing tidelands granted to the City by the State, and competing for trade with other ports, places the Board in special position within the range of City commissions. This special position could, we believe, be best served by the appointment of Commissioners with experience in areas that would be directly transferable to their duties as members of the Harbor Commission.

We are therefore proposing that the City Council act to establish a set of guidelines for consideration of future Harbor Commission appointments to assist in determining the suitability for service on the Board, based on the functions of the Harbor Department. These guidelines could include such fields as land rental or leasing, purchasing, engineering, personnel, commodity transportation, financial management, construction of major facilities, port operation.





similar fields which involve responsibility for the following or substantially similar duties: land rental or leasing, purchasing, engineering, personnel, commodity transportation, financial management, construction of major facilities, international trade, port operation.

We would not propose that the City Charter be amended to specifically require such qualifications, as this may prove to be unduly restrictive and might lack the flexibility of allowing the Mayor and Council to obtain the service of individuals who would be appropriately qualified but whose backgrounds would not fall within these specifically defined areas. Nor are we suggesting that the Harbor Commission be restricted to individuals with extensive experience in the shipping industry or other businesses which deal on a regular basis with the Port of Los Angeles, as this type of requirement could lead to potential conflicts of interest and the necessity for frequent referrals of Board decisions to the Board of Referred Powers.

In making this recommendation, we are not proposing to eliminate the opportunities for civic-minded individuals without such backgrounds to serve their City as commission appointees. There are numerous other City commissions that do not operate under the economic responsibilities placed upon the Harbor Commission, where such persons could provide excellent service to the City. We are, therefore, restricting our recommendation in this report to the membership of the Harbor Commission.

One of the objectives of this recommendation is to reduce the amount of time required to educate new Board members in the responsibilities and practices of the Harbor Commission, in order to provide as much continuity of good policy direction as possible. In interviews, present and past Board members have indicated to us that it takes a significant period of time for a new member to become fully acquainted with the implications of the decisions that they are called upon to make.

Our research has established that since 1956, a total of 37 persons have served on the Harbor Commission. Of this number, three have served on the Commission in separate terms (i.e., resigned and were later appointed again), making a total of 40 appointments to the Board.

The average term of the Commissioners serving between 1956 and 1973 was 3.3 years. (The current Board terms were excluded from this average because they have not been completed.) For your reference, a tabulation of the Commissioners' terms is provided as an attachment.

If the Council wishes to reduce the turnover rate on the Commission, this could be dealt with through alternative or additional measures involving amendment of the City Charter. Such measures could include prohibiting removal of a Commissioner during his term of office except for malfeasance or misfeasance, lengthening the term of office, or requiring a greater proportion of the Council for a vote on removal from office.





Our study, which included a survey of other ports on the Pacific Coast and selected ports in other areas of the nation did not indicate any other harbors where commission members were required to have specific qualifications. This investigation included contacts with the Pacific Coast Association of Port Authorities and inquiries into the structure of the Port Authorities of New York and New Orleans, as selected cases. In some ports, members of the governing board are elected, while in others the board members are appointed by elected officials and government agency heads. In no case were experience-related qualifications of board appointees found to be specified by law or contractual agreement. However, we believe that the City of Los Angeles need not be bound to the organizational patterns of other agencies. To the contrary, it is our view that the competitive position of the Port of Los Angeles would be enhanced if such requirements are put into effect by our City.

#### DETAIL - QUESTION OF INDEPENDENT COMMISSION STAFF

As you are aware, the Harbor Commission has on prior occasions had a Commission Secretary position with duties more extensive than the present position. Currently, the Board Secretary position is assigned primarily clerical duties.

Our interviews with members of the current Commission and past Board members indicated that there is a high degree of support for the employment of an individual with administrative duties who would be directly responsible to the Commission, providing information and advice as needed on matters coming before the Board.

While it was not stated that the Commission lacks confidence in the management of the Department, Board members did express a need for a separate source of information and advice on some occasions. Perhaps the independent Commission staff person could function in a role similar to that which the office of the Chief Legislative Analyst performs for the Council committees by raising appropriate issues for clarification and doing independent research on selected areas.

A similar recommendation was made in the recently-released report of the Industrial and Administrative Survey team. The consultants have proposed that the duties of the chief accounting employee be merged with those of the Commission Secretary, and that the position report directly to the Board.

Charter Section 75(a) provides that the Board shall appoint a chief accounting employee, and that this function may be assigned to any Department employee other than the General Manager. At present, the chief accounting employee reports to the Director of Port Administration -- an arrangement not in keeping with the intent of the Charter for fiscal check-and-balance.

In addition to the accounting responsibilities of the combined position, the consultants suggest that the secretary/chief accounting employee be assigned such duties as "...followup on Board orders, gather special data, etc." This portion would be consistent with our recommendation for an analytical position reporting to the Board.



The question of providing staff for the Harbor Commission has been considered since the status of the previous full-time administrative position was changed. In December, 1974, the Board was investigating the possibility of hiring someone to work directly for them in carrying out specific projects and in commenting on management recommendations. The Mayor asked the City Administrative Officer to review this proposal.

On May 30, 1975 the CAO recommended to the Mayor that no new Commission staff position be created, noting that the Council had rejected a similar proposal by the Police Commission just two weeks previously. No action was subsequently taken by the Harbor Commission.

When mentioning the Police Commission position, we should note that later action was taken by Council to approve a grant-funded position to assist that Commission as staff. Upon the expiration of the grant funding, the Mayor included City financing for a position to fill this role, in the 1977-78 budget. Council deleted the funding in its first consideration of the proposed budget, but the item was reinstated by the Mayor, and the Mayor's reinstatement was sustained by Council, thus leaving the position in the budget.

This discussion of the Police Commission position is not to infer that we see the two situations similarly. To the contrary - we believe that the needs of the Harbor Commission are significantly different because of the competitive economic factors affecting the Harbor Department and its Commission.

On a further occasion, August, 1975, the CAO had recommended against a Council motion (Cunningham-Wachs) that the Airport, Harbor and Water and Power Commissions be made full-time boards and that these three commissions be assigned independent staff. This recommendation was concurred in by the Charter and Administrative Code Committee, and the motion was received and filed by Council on March 29, 1976. In this instance, we note that the commission staff proposal was tied to the concept of establishing full-time boards, and that the presidents of each of the three commissions had indicated their satisfaction with the current part-time citizen board arrangement.

Attachment





# TERMS OF HARBOR COMMISSIONERS

John C. Cosgrove 9/54-7/56 Resigned 2 years	E. C. Spires 4/23/54 - Reappointed 7/11/55 - Reappointed 7/1/60-7/1/65 Resigned 11 years	Lloyd A. Menveg 8/31/53 - Reappointed 7/25/56-7/1/61 Expired 8 years	Charles H. Tanner 9/54-3/58 Resigned 4 years	Howard F. Kingman 4/54-5/57 Resigned 3 years
L. A. Hyland 7/23/56-4/59 Resigned 3 years	Albert Perrish 7/17/61-9/7/65 Resigned 4 years	Joseph D. Carrabino 7/17/61-7/1/65 Resigned 4 years	S. Willard Isaacs 5/23/58-7/1/61 Resigned 3 years	G. Wm. Shea 7/57-11/57 Resigned 1 year
L. D. Hotchkiss 5/6/59 - Reappointed 7/27/59-7/16/61 Resigned 2 years	Robert N. Starr 9/8/65-7/4/67 Resigned 2 years	Karl L. Rundberg 7/1/65-7/4/67 Resigned 2 years	George D. Watson 7/18/61 - Reappointed 7/1/62-1/22/68 Resigned 7 years	Richard K. Yeamans 11/21/57 - Reappointed 8/58-4/8/60 Resigned 3 years
Gordon G. McLean 7/17/61-7/24/64 Resigned 3 years	Taul Watanabe 7/5/67-12/31/68 Resigned 1 year	Gordon G. MacLean 7/5/67-8/24/69 Resigned 2 years	Dr. Robert F. Craig 4/1/68-7/21/69 Resigned 1 year	John K. Baillie 4/12/60-7/1/61 Resigned 1 year
Pietro Di Carlo 8/4/64-11/7/67 Deceased 3 years	Fred I. Wada 1/10/69 - Reappointed 8/13/70-4/30/71 Resigned 2 years	Wm. F. Quinn, M.D. 8/25/69-8/12/70 (To Airport Com.) 1 year	John J. Royal 8/8/69 (Confirmed by Council) 8/19/69 (Took Oath of Office) Reappointed 7/27/72-8/23/73 4 years	George D. Wall 7/17/61 - Reappointed 11/18/63-9/7/65 Resigned 4 years
Victor M. Carter 12/6/67-6/21/68 Resigned 1 year	Manuel K. Inadomi 7/22/71-6/7/73 Resigned 2 years	John B. Kilroy 8/13/70 - Reappointed 8/5/71-8/23/73 3 years	Roy S. Ferkich 8/24/73-6/30/77 Reappointed 7/1/77 -	Lynn G. Peterson 9/8/65-7/4/67 Resigned 2 years
Frank C. Sullivan 12/2/68 - Reappointed 7/15/69-9/5/73 5 years		Natale DiBiasi 8/24/73 Reappointed 7/20/76		Robert A. Day 7/5/67 - Reappointed 12/2/68-12/8/71 Resigned 4 years



Terms of Harbor Commissioners continued  
Page 2

Terence J. Matthews Frederic A. Heim  
9/6/73-7/25/74 8/31/73-8/2/76  
1 year (To Water & Power  
Com.)

Mrs. Gene Kaplan 3 years  
7/26/74 -

Victor M. Carter  
8/3/76-11/4/77  
Resigned  
1 year

Frederic A. Heim  
12/13/77 -

John Y. Chu  
12/22/71 -  
Reappointed  
8/24/73-1/3/74  
Resigned  
3 years

George Izumi  
2/13/74 -  
Reappointed  
8/5/75 - 11/22/77  
2 years

Term Expires  
6/30/79

Term Expires  
6/30/78

Term Expires  
6/30/81

Term Expires  
6/30/82

Term Expires  
6/30/80





<u>Grievance Subject</u>	<u>Management Response</u>	<u>Status</u>
Appeal of supervisor's order to perform alleged illegal duties	Denied	Pending meeting by BHC
Appeal of Notice to Correct Deficiencies for neglect of duty	Denied	Pending decision by BHC
Appeal of Notice to Correct Deficiencies for adverse public statements	Denied	Pending decision by BHC
Appeal of alleged out-of-class work	Not grievable	Pending meeting of BHC
Appeal of written directive from General Manager	Denied	Pending meeting BHC
Appeal of alleged un-businesslike correspondence	Not grievable	Pending decision at first level of review
Appeal of alleged out-of-class work	Not grievable/ Denied	Pending employee's appeal to next level of review
Dispute regarding effective date of 1976-77 salaries	No authority to resolve at this level	Pending meeting at second level of review
Appeal of non-selection for assignment	Denied	Pending decision at second level of review
Appeal of memo for not following instructions	Denied	Pending meeting at first level of review
Ongoing Work Assignments	None	Pending decision at first level of review
Appeal of alleged libelous statements of supervisor	Denied	Pending a meeting at first level of review



As of the same date the following lawsuits or claims were pending:

1. lawsuit alleging slanderous statements.
2. Claim for additional compensation
3. Worker's compensation claim for medical conditions purportedly brought on by pressure of work.
4. Lawsuit for additional wages for fiscal year 1974-75, filed by a recognized employee organization on behalf of certain employees.

As of January 1978 all grievances listed above had been completed. As of that date eight new grievances were pending, as follows:

<u>Grievance Subject</u>	<u>Management Last Response</u>	<u>Current Status</u>
Notice to Correct Deficiencies Dated 7/18/77	Denied	Pending decision by full Board of Harbor Commissioners
2 Days Absent Without Pay resulting from union "work action"	Denied	To be heard by Board of Harbor Commissioners on 1/18/78
"	"	"
"	"	"
"	"	"
"	"	"
4 Day Suspension Without Pay	"	Grievant has requested General Manager response be held in abeyance
16 hours of sick leave disallowed	"	1st level of review decision pending information to be provided by grievant

Significant claims and lawsuits still pending in the Department include:

1. Lawsuit alleging slanderous statements





2. Claim for additional compensation. Judgement has gone against the Department and the matter is being appealed.
3. Worker's compensation claim for medical conditions purportedly brought on by pressures of work. Department awaiting Referee's decision.

Following is a comparison of grievances filed in selected independent and proprietary departments since January 1973:

<u>Department</u>	<u>Number of Grievances</u>	<u>Approx. Number of Employees as of 1/78</u>	<u>Number of Grievances as Percentage of Number of Employees</u>
Water and Power	326	10,000	3.3
Recreation & Parks	166	5,100	3.3
Airports	52	1,100	4.7
Libraries	28	1,800	1.5
Harbor	62	530	11.7

Over the subject time period the Harbor Department has had more than twice the percentage of grievances filed than any other department. The number of grievances currently pending in these same departments are as follows:

<u>Department</u>	<u>Number of Grievances</u>	<u>Approx. Number of Employees</u>	<u>Number of Grievances as Percentage of Number of Employees</u>
Water and Power	35	10,000	.35
Recreation & Parks	4	5,100	.08
Airports	5	1,100	.45
Library	0	1,800	N/A
Harbor	8	530	1.5

At the current time the Harbor Department has three times the percentage of grievances pending as any of the departments shown. However, five of the eight pending grievances are the result of a union work action and are not individual "personnel problems."

#### Department Grievance Procedure

Shown below is the Harbor Department's grievance procedure for nonrepresented (generally management) employees:

##### Step 1 - Informal Discussion

The grievant shall discuss his grievance with his immediate supervisor on an informal basis in an effort to resolve the grievance and said grievance shall be considered waived if not so presented to the immediate supervisor within ten (10) calendar days following the day during which the event upon which the grievance is based occurred.

The immediate supervisor shall respond within five (5) calendar days following his meeting with the grievant. Failure of the immediate supervisor to respond within such time limit shall entitle the grievant to process his grievance at the next step.



## Step 2 - First Level of Review

If the grievance is not settled at Step 1, the grievant may serve written notice of the grievance on a form provided by the department upon the person designated to review the grievance at Step 2 within seven (7) calendar days of receipt of the grievance response at Step 1. (This is normally the Division Head.) Failure of the grievant to serve such written notice shall constitute a waiver of the grievance.

If such written notice is served, said person or his designee shall meet with the grievant, and a written decision or statement of the facts and issues shall be rendered to the grievant and his representative, if any, within fifteen (15) calendar days from the date of service. Failure of Management to respond within such time limit shall entitle the grievant to process his grievance at the next level of review.

## Step 3 - Second Level of Review

If the grievance is not settled at Step 2, the grievant may serve written notice of the grievance on said form upon the person designated to review the grievance at Step 3 within seven (7) calendar days of receipt of the Step 2 grievance response. (This is the General Manager.) Failure of the grievant to serve such written notice shall constitute a waiver of the grievance.

If such written notice is served, said person or his designee shall meet with the grievant, and a written decision or statement of the facts and issues shall be rendered to the grievant and his representative, if any, within fifteen (15) calendar days from the date of service. Failure of Management to respond within such time limit shall entitle the grievant to process his grievance at the next level of review.

## Step 4 - Final Level of Review

If the grievance is not settled at Step 3, the grievant may serve written notice of the grievance on said form upon the Board of Harbor Commissioners within seven (7) calendar days following receipt of the grievance response at Step 3. Failure of the grievant to serve such notice shall constitute a waiver of the grievance. If such notice is served, the grievance shall be heard by the Personnel Committee of the Board of Harbor Commissioners. The Committee will afford the parties an opportunity to present oral and/or written arguments on the merits of the grievance and shall render to the grievant and his representative, if any, a written decision within thirty (30) calendar days from the date said arguments were submitted. The decision of the Committee shall be final. If the Committee members cannot agree on a decision, the grievance shall be referred to the full Board of Harbor Commissioners for a decision. (The Commission no longer utilizes the Personnel Committee and hears grievances itself.)





Employees represented by employee organizations follow the same grievance procedures with the additional option of submitting a decision of the Board of Harbor Commissioners to advisory arbitration.

#### Harbor Department Proposal to Amend the Grievance Procedure

The Board of Harbor Commissioners has previously considered but rejected a proposal of the Harbor Department staff to amend the grievance procedure for represented employees to place advisory arbitration before the Board's consideration of a grievance, as follows:

If the grieving employee is dissatisfied with the General Manager's decision, he and his labor organization may jointly request advisory arbitration. The advisory arbitrator, jointly selected by the labor organization and management which also share the expenses of arbitration, is an impartial expert in the area of grievance disputes who conducts a hearing and investigation and renders an advisory decision to the parties as to the appropriate resolution of the grievance. Thus, the employee and his labor organization are given the opportunity to present their case in a neutral forum to an objective third party. The advisory decision of the arbitrator is then rendered to the Department for its consideration. Under staff's proposal, the advisory arbitrator's decision would be provided to the full Board for its determination. At that time, the Board would not rehear the grievance but would merely be concerned with a review of the advisory arbitrator's decision and comments thereon submitted by management as well as the employee and the labor organization. Based upon this information, the Board would then retain the ultimate authority and responsibility to decide the grievance. However, the Board's role would be that of reviewing the decision of the arbitrator and not actually conducting the time consuming and lengthy grievance hearings.

At the time this proposal was made Harbor Department staff stated:

"Staff believes that its proposal is an efficient method to handle grievances and would result in a significant reduction in the amount of time the Commission would need to spend to satisfactorily resolve employee grievances."

It appears that the staff proposal would place an additional burden on both an employee organization and the Harbor Department, i.e., payment for the services of an arbitrator, which could help assure that only grievances with merit reached the Board of Harbor Commissioners.



Several other City departments headed by commissions, including the Department of Water and Power, Recreation and Parks, Airports, and the Library Department, operate their grievance procedures in essentially the same manner as proposed by the Harbor Department staff.

Inasmuch as these Departments currently operate in this manner, and it appears that the proposal may help assure that the Harbor Department grievance procedure is used only for grievances with serious merit, it is recommended that the Board of Harbor Commissioners reconsider its previous rejection of the proposal that the Board consider employee grievances following a decision by the General Manager at the final level of review, and if requested by the employee and his/her organization, a decision by an advisory arbitrator.

#### Binding Arbitration for Proprietary and Independent Departments.

The Employee Relations Task Force has recently recommended that the City Charter be amended to provide permission for official bodies of the City to submit rights disputes (grievances) to third party neutrals for binding arbitration. The Employee Relations Ordinance provides for binding arbitration of rights disputes (grievances over the interpretation of the Memorandum of Understanding). Language of the City Charter appears to preclude binding arbitration when it places specific responsibilities with General Managers and Commissions. Court decisions on the subject have cast doubt upon the propriety of the delegation to third party neutrals in the absence of specific statutory provisions or similar charter provisions permitting such delegation. An amendment to the Charter would clarify the issue and allow delegation of disputes in the proprietary and independent departments to a third party neutral for resolution.

Inasmuch as Task Force's report will shortly be before the Council no recommendation is made on this matter here.

#### Discussion with current and Former Harbor Commissioners

In the course of examining this issue we contacted the following current and former Harbor Commissioners: Victor Carter, John Chu, Nate DiBiasi, Roy Ferkich, Frederick Heim, George Izumi, Gene Kaplan, John Kilroy, Terrance Mathews, John Royal and Frank Sullivan.

They were also asked the following question:

"Do you believe that any of the "personnel problems" reported in recent years could be corrected by modifying Department or City personnel practices? If so, what measures would you suggest?"





Seven of the eleven Commissioners questioned answered that the reported personnel problems could be corrected by modifying personnel practices with six of these seven recommending that more positions in the Harbor Department, specifically administrative positions, be exempted from the Civil Service provisions of the Charter.

The following four positions in the Harbor Department are currently exempt from Civil Service provisions of the Charter: General Manager, Assistant General Manager, Traffic Manager and Port Warden. (The exemption of the position of General Manager was recently approved by a Charter Amendment and does not apply to the incumbent in that position).

One of these seven Commissioners believed that there are not enough mechanisms within the Harbor Department to resolve employee grievances.

Three of the eleven questioned believe that personnel problems in the department are the result of politics, events and personalities, and can not be resolved by changes in personnel procedures. One of the eleven was unsure whether the personnel problems could be resolved by changes in personnel procedures.



### 3. HARBOR DEPARTMENT CONTRACT PROCESSING

#### BACKGROUND:

The Industry and Transportation Committee has requested that our office review the procedures used in the preparation and approval of Harbor Department contracts. At the Committee's direction, our review has included consideration of whether the City Council and Council staff should be involved at an earlier stage in the process by participation in contract negotiation. We have primarily attempted to identify any elements of the contract approval process which could be improved to favorably affect Los Angeles' competitive standing relative to other ports.

The statistical base for our study of contract processing was derived from a survey of all Harbor Department contracts which were forwarded to the Mayor for his consideration over an eighteen month period immediately prior to the initiation of our study. This survey includes a total of twenty-eight contracts sent to the Mayor between January 1, 1974, and June 30, 1976.

In addition to this data, we obtained information through interviews with present and past Harbor Commissioners, Harbor Department staff and private companies which are either current or former tenants of the Port.

#### RECOMMENDATIONS:

1. That the Industry and Transportation Committee request the Harbor Department to report on the steps which the Department has taken to assist potential tenants in meeting environmental requirements, with particular emphasis on measures which are designed to reduce the time involved in obtaining a lease or permit.
2. That, if the Harbor Department is to retain its "proprietary" status, the Industry and Transportation Committee consider the following two-part proposal to reduce the time now used in review and approval of Harbor contracts, by having the Mayor and Council consider such contracts during the same time period, rather than in separate stages as is now done:
  - A. The Mayor and Council could cooperatively develop a policy covering the principles to be applied in development of those Harbor contracts for which the Charter requires Council approval, including such contract provisions as Port versus tenant improvements, rental readjustment, the rate of a return on Port land and improvements, etc. As a starting point, the Industry and Transportation Committee could request that the Harbor Commission submit such a set of proposed policies for Mayor and Council consideration.
  - B. After this policy is mutually agreed upon by the Council and Mayor, the Harbor Commission could be directed to indicate





when submitting a proposed contract to Council whether the contract provisions are in conformance with the adopted policies, or if differences exist, what they are. The proposed contract would be submitted at the same time to the Mayor. The current 60-day time limit for Council approval would continue to apply, with any input from the Mayor and City Administrative Officer being provided to the Council before its decision. Policy conformance could be checked by the City Administrative Officer and the Chief Legislative Analyst.

SUMMARY:

The information which we have gathered indicates that it does take more time to negotiate and obtain approval of contracts for land and facilities at Los Angeles Harbor than at other West Coast ports. While the industry representatives we contacted did not emphasize the time factor as a primary determinant in their choice of a port for doing business, we believe that Los Angeles' contract process could be modified to both improve our competitive position,

In our survey, the largest segment of time in the contract approval sequence was found to be for the preparation of environmental impact reports and assessments. This accounted for nearly one-third of the average total time (9 of 31 months). Interviews with port tenants also identified environmental requirements as the area most often causing what they viewed as delays.

Because of the significance of this part of the contract process, we are recommending that the Committee request the Harbor Department to report on the measures which they have implemented to assist tenants in fulfilling environmental requirements. With a detailed specification of these measures, the Committee could then obtain the views of the City Attorney and the Planning Department on whether any improvement can be made.

In addition, we found in our survey that the time period for Mayor and City Administrative Officer review of Harbor contracts averaged 70 days, with one fourth of the contracts taking in excess of 100 days. After Mayor and City Administrative Officer review is completed, the contracts are returned to the Harbor Commission for action. They are next forwarded for City Council consideration, which may take up to sixty days under Charter Section 140 (e).

Our second recommendation is directed toward having these two review periods (Mayor/CAO review and Council review) run concurrently, rather than consecutively. With this recommendation, the Mayor and Council would establish a policy covering the principles to be applied in development of those Harbor contracts for which the City Charter requires Council consideration. This policy would include the areas which the Mayor and Council now consider when reviewing a Harbor contract, such as the type of improvements to be financed by the Department versus those to be financed by the tenant, and the appropriate rate of return on Port land and investments.



Harbor contract, such as the type of improvements to be financed by the Department versus those to be financed by the tenant, and the appropriate rate of return on Port land and investments.

As a point of beginning, the Industry and Transportation Committee could request that the Harbor Commission submit a proposed policy for Mayor and Council consideration. Harbor Department staff has been working on a draft Commission policy manual, so this work could be made part of their current assignment. After reviewing the policy submitted by the Harbor Commission, the Industry and Transportation Committee could make a recommendation to the Council for forwarding to the Mayor. Or, alternatively, the Committee could request the Mayor's views before making its recommendation to Council. After agreement between the Mayor and Council is reached on the policy, it could be amended at the initiative of the Mayor, Council or Commission as the necessity arises.

After the policy is determined, the Harbor Commission could be directed to indicate in writing when submitting a proposed contract whether its provisions conform to the adopted policy. If differences exist, these would be submitted concurrently to the Mayor and Council. The present 60-day Charter time limit for Council consideration would continue to apply, with any input from the Mayor and City Administrative Officer being sent to the Council through the Industry and Transportation Committee. In the process of committee consideration, the contract's conformance to policy could be checked by the City Administrative Officer and the Chief Legislative Analyst.

This recommendation would continue the exercise of administrative and policy-making authority by the Mayor and Council, while reducing the time required for review of Harbor contracts.

This recommendation would also help allay a concern expressed by some industry representatives who perceive Los Angeles as a port where contract policy is not established on a unified, coordinated basis. It would additionally serve to bring the Council into the contract formulation process at the very beginning through the establishment of the basic policy. The Council would, in effect, become involved in contract development by working with the Mayor to express guidelines for contract negotiation.

Unification of policy direction could be achieved on a more permanent basis if the Committee and Council support our recommendation for bringing the Department under Council control. However, the step suggested here would bring a greater degree of coordination without the need of a Charter amendment.

The Committee had directed that our inquiry include consideration of whether the Council or Council staff should be involved at an earlier stage of the contract process through participation in negotiations with potential tenants. It is our view that the above recommendation for the setting of policy would effectively provide Council input at the earliest possible stage of contract development, even before negotiations begin. The participation of the Council in the actual negotiation sessions would not, in our view, add any benefits to this process, and could make negotiation more difficult.





#### DETAIL - CONTRACT PROCESSING SURVEY

As a base for our study, we determined the length of time required for each step of the contract preparation and approval process for all contracts which were forwarded from the Harbor Commission to the Mayor between January 1, 1975, and June 30, 1976. Contracts sent to the Mayor were included in our study because these were generally the items which would lend themselves to a direct comparison of each of the phases of contract processing.

A total of 28 contracts were sent to the Mayor during this time span, as indicated in the attached table. Referring to the table, it may be noted that only 12 of the 28 contracts went through the entire processing sequence, from Department receipt of an application through the publication of a Council-approved Board Order. Basically, the reasons why the remaining 16 contracts did not undergo the full process fall into two categories (specific reasons for each contract are shown by footnotes to the table).

Of the 16 contracts not going through the complete process, eleven did not have a formal application filed with the Department to start consideration of the proposed use. As shown by the table footnotes, some of these were extensions of prior uses, some were initiated by the Department and some were with other City departments. The bypassing of this stage does not eliminate the requirement of review of the matter by appropriate policy-making bodies.

The remaining five of the 16 contracts not completing the full process were items which did not require Council review under the Charter, but had been sent to the Mayor under the provisions of a now-rescinded executive directive that called for Mayoral review of all contracts to be approved by the Commission.

Taking the twelve contracts which went through the entire process, the average time required from the date of the initial application to the effective date of the contract was thirty-one months. Out of this thirty-one month time average, we have identified four significant phases in the contract approval process as follows:

#### DETAIL - HARBOR DEPARTMENT CONTRACT PROCESSING

Of the twenty-eight contracts covered by our survey, twenty were initiated by private company tenants. We were able to discuss the Harbor Department processing phase with the representatives of the companies involved in sixteen of the twenty contracts.

We should note that four of the contracts were with one firm, the Mobil Oil Corporation. In addition, we did not seek outside views on the contracts which were not initiated by the private sector. These include six initiated by the Harbor Department, one involving the Department of Water and Power and one for the lease of office space by the Harbor Department.



In conducting our research, we were able to interview a high proportion of the company representatives who had negotiated and been responsible for their firms' contracts with the Port. We asked them whether they believed that the Harbor Department's processing time (time from date of initial application to date of forwarding to Mayor) was affected by delays caused by the City. The tenants did not identify the Harbor Department as being significantly responsible for delays.

An average of twenty-one months was expended from the date of application to the date the various items were referred to the Mayor. Several reasons were offered by the tenants for the length of this time. The number of tenants citing each reason was as follows:

- Environmental Impact Report requirements - 5
- Coastal Commission - 2
- City Attorney's Office understaffed (see comment following) - 2
- Development and Approval of Affirmative Action plan - 1
- Air Pollution Control District requirement - 1
- Opposition from Neighbors and Area Residents - 1
- Building Permits required - 1
- Delays from Negotiations with other tenants - 1

<u>Phase</u>	<u>Average Time Required<sup>1</sup></u>
Harbor Department preparation prior to Commission action	22 months
Mayor's office review	11 days
CAO review	59 days
Council review	63 days

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<sup>1</sup>The indication of average time required for the Mayor's office review, CAO review and Council review includes messenger service delivery time for each phase. The average time of the four phases indicated above does not total thirty-one months in part because the four time averages reflect different statistical samples. To explain only twelve of the contracts underwent the full processing sequence, as we noted above. To obtain the most complete sample for each phase, we averaged the time for all the contracts that went through that phase. Also, we did not include the time between the Council's approval of the final Board Order and its effective date (30 days to allow for possible referendum), and the time between Harbor receipt of the Mayor's approval and forwarding of the matters to the Council (a week or less to get on agenda), because these time spans could not be significantly reduced.





Delays caused Internally with the Company - 1  
Federal Maritime Commission clearance required - 1  
Application was filed for the purpose of obtaining  
first right of refusal; applicant did not want  
immediate action - 1

Most of the above mentioned reasons for delays were cited only once and are thus not indicative of a recurring pattern.

The time delays caused by allegedly insufficient staff in the City Attorney's Office were cited by two tenants. These contracts began processing in 1971 and 1972, respectively. Since that time two attorneys have been added to the City Attorney's Harbor staff, one in April, 1974, and one in October, 1975, for a total of six attorneys. No tenants beginning the contract approval process after 1973 indicated any difficulty with the City Attorney's Office. Our review also indicates that one of these items involved extensive research and interpretation of the Charter, and that the tenant was generally satisfied with the process despite the delay.

The other item involved extensive negotiation over the four year period. The City Attorney's Office file on this lease does show that at some point the counsel for the tenant prepared his own version of the lease which the tenant claims was necessary due to City Attorney's Office delays.

The City Attorney's Office indicates that it is common practice for both parties in such involved negotiations to develop their own versions of a lease. The City Attorney's Office file revealed timely responses to requests for assistance with this contract proposal.

The time involved in the preparation of environmental impact reports and statements was a more commonly held complaint. In a December 11, 1975 memo, then acting General Manager Mr. L.L. Whiteneck reported that the estimated processing time attributable to environmental review requirements during 1974-75 was as follows:

<u>Type of Item</u>	<u>Normal</u>	<u>Longest</u>	<u>Shortest</u>
Environmental Assessments	58 days	320 days	6 days
EIR's	9 months	11 months	6 months

Our discussion with tenants indicated that in several instances the Harbor Department's environmental staff did not provide what the tenants considered to be an adequate degree of assistance in preparing the necessary documentation. Due to the confidential nature of our interviews with tenants, we have not verified this allegation.

When our study was in its early stages, we discussed with Harbor Department staff the possibility of reducing the time needed for



preparing environmental documents by following the example of the Department of Airports. The Airport Department has developed a comprehensive environmental study of the impact of planned major improvements at International Airport, amounting to an EIR for an airport master plan. Data from this study is intended to be used in preparing environmental assessments of these, and other, future projects at the airport.

We explored the possible development of such a document for the Harbor, as a means of generating information to assist potential tenants in preparing their environmental reports. However, we would not recommend the initiation of the system for the Port at this time for two reasons. Firstly, the Harbor Department is currently working on the Port Master Plan, which will provide some of the same type of information as the Airport study. Secondly, the Department has started a program of monitoring of the harbor ecology, with the intent that this data be provided to tenants for their use in environmental reviews.

Until these two projects have been established and a record has been accumulated of their usefulness, it would appear premature to recommend development of a third program which could be duplicative. The importance of the environmental review stage of the contract process does lead us to suggest that the Committee request the Department to provide a report on the steps which it has taken to assist potential tenants in environmental matters. This report could then be commented on by the City Attorney and Planning Department, for possible recommended improvements after some experience has been had with the new Harbor programs.

While the tenants we contacted were generally satisfied with the performance of the Harbor Department staff, a few registered complaints regarding the following areas:

1. Lack of direction and authority during the transition in the general manager's position.
2. City Attorney Harbor Office understaffed, resulting in delays in development and review of contracts as noted in the above.
3. Modification of the Harbor Commission's position during negotiation.
4. Harbor Department not as supportive as possible in dealing with other agencies during the early contract stages.
5. Harbor - City relationship cumbersome (referring to the fact that Los Angeles Harbor has more points of review and approval than other west coast ports).





To cross check the results of our survey, we also contacted the current tenants who lease property both at Los Angeles and at one or more other ports. None of the nine such tenants we contacted indicated any complaints or concerns about the time required to process contracts at Los Angeles Harbor.

In addition to the companies noted above, we met with the representatives of a firm which presently leases land at the Harbor and was in the process of negotiating for a new lease. This company's representatives did express dissatisfaction with numerous areas of port management and operations, including the responsiveness of port staff to tenants needs and the requirements for implementing contractual arrangements. The extent to which these complaints represented real or perceived problems or whether they were an attempt by the company to improve its bargaining position for the new lease, is difficult to assess. Agreement was subsequently reached on the lease.

#### DETAIL - COMPARISON WITH OTHER PORTS

We have contacted other west coast ports regarding the time involved in processing contracts under their procedures. Specific data on "average time basis" was not available for these ports. The segment of the entire process represented in the following comparative table excludes time required for negotiation, staff review and the approval of other agencies. This table thus does not present a direct comparison with the figures previously shown for the Port of Los Angeles.

<u>Port</u>	<u>Reviewing Body</u>	<u>Time required for Approval</u>
Los Angeles	Commission, Mayor, CAO, Committee, Council	133 day average (shortest 5½ wks)
Long Beach	Commission	2 wks plus 30 day waiting period (minimum)
Orange County	Board of Supervisors	4 wks (minimum)
Oakland	Commission	2 wks plus 30 day waiting period (minimum)
San Diego	Commission	2 wks (allow occupancy during 30 day waiting period, 2 wks (minimum)

Representatives of the Port of Oakland indicate that their City Attorney's review of a contract requires 5 to 6 months. This occurs prior to Commission review.

Although the above table does not show the average case for the processing of a contract at each of these ports, it can be seen that the shortest time recorded for the approval of a contract at the Port of Los Angeles was significantly longer than for the averages of other harbors. In an attempt to assess the impact of this difference, current Los Angeles Port tenants were asked whether the longer time required to process contracts through our governmental structure would affect





their decisions regarding staying at Los Angeles Harbor, expanding or relocating. Nine of the twelve tenants we interviewed felt that it would make no difference in such decisions. The remaining three indicated that if all things were equal, the greater time required in Los Angeles would make a difference. However, they also indicated that such a situation would be rare and they could not remember ever having selected Los Angeles or Long Beach because of this difference.

In interpreting the information which we have gathered through interviews with industry spokesmen, we recognize the possibility that the sample represented by the companies which we were able to contact may not be indicative of all cases. Particularly, there may be companies which did not choose to initiate contract negotiations with the Harbor Department because of their impression of Los Angeles' process taking greater amounts of time or being less unified in policy than other harbors. The existence of potential Port tenants with such views has been a persistent rumor which has remained unsubstantiated. To the extent that such views may be held, we believe that the recommendations of this report would help the City in laying them to rest.



#### 4. RECOMMENDED CHARTER CHANGES IN CITY/HARBOR STRUCTURE

The portion of our assignment with potentially the greatest bearing on all of the other areas of this study is the question of appropriate recommendations for amendment of the present City Charter-established structure governing the relationship between the general City government and the Harbor Department.

As stated in several other sections of this report, we are of the belief that there is a need for a greater continuity of policy direction in Harbor affairs than has historically existed. Because the Harbor Department must have consistent, long-range planning and execution of improvements to attract a competitive share of trade, we have searched for the means of bringing the greatest measure of stability to the Port's direction.

In our report on the qualifications of commissioners, we note that the average term of Board members in recent history has been only 3.3 years. It is our view that this brief average tenure, when coupled with turnover in Department staff, has not given the Port sufficiently consistent guidance.

We also note that the recently released Industrial and Administrative Survey of the Department supports our finding, and adds that "The Port does not have a well defined long-range planning process." This deficiency is attributed by the Survey team partly to the high turnover on the Commission.

The central recommendation of our study is therefore that the City Council place a ballot measure before the people to end the present "proprietary" status of the Harbor Commission, and to place the Harbor Department under the supervision and control of the Mayor and City Council.

The City Council has been, and will likely continue to be, subject to much more gradual changes in overall composition than the Harbor Commission, with the result that policy direction would be developed with fewer fluctuations.

When reviewing possible options to achieve the goal of policy continuity, we considered whether the Department could be reorganized without the need of a Charter amendment. However, we note that the powers granted to the Mayor and Council by Charter Section 32.1 to reorganize departments do not extend to the Harbor Department.

An alternative method of seeking policy stability could be to support state legislation to create an independent port authority,





governed by a long-term board, perhaps in concert with the Port of Long Beach. This approach might produce offsetting disadvantages, as it would entail the creation of another special-purpose local agency in a geographic area where the present multiplicity of agencies often tend to pursue conflicting goals. We believe that the City Council, as a general purpose local government body, is in the best position to have a balanced view of the needs of its citizens and the Port which serves them.

If your Committee and the Council support our recommendation, there are a number of questions which arise regarding the specifics of organizing the Department under Mayor and Council control. We would be pleased to assist in answering procedural questions and providing policy alternatives to carry out the intent of this recommendation, at your direction.



Items Processed from January 1, 1975 to July 1, 1976

	<u>Application Rec'd by Harbor Dept.</u>	<u>Application Presented to BHC and Ref. to GM</u>	<u>BHC Authori- zation to Prepare</u>	<u>Referred to Mayor</u>	<u>CAO Rec'd from Mayor</u>	<u>Dept Rec'd CAO Report</u>	<u>Adopted By BHC</u>	<u>To Council</u>	<u>Rec'd From Council</u>	<u>Effec 31 day After</u>
1. The Union Ice Co. 30-yr operating agree.	(a)	(a)	1/7/76	1/8/76	1-14-76	*				
2. LA Water & Power Dept. Grant of Right	(b)	(b)	4/14/76	4/15/76	4-23-76	4/28/76	4/28/76	4/30/76	5/25/76	5/26/76 Upon p
3. Mobil Oil Corp. Order 3124	5/6/70	5/13/70	6/18/75	12/17/75	12-29-75	2/26/76	3/3/76	3/3/76	5/18/76	6/28/76
4. Pacific Trade Center	(c)	(c)	(i)	9/17/75	10-3-75	10/21/75	10/22/75	10/22/75	11/13/75	11/20/75
5. Todd Shipyards Corp. Amend Permit 228	(d)	(d)	(i)	11/5/75	11-13-75	1/19/76	1/28/76	1/28/76	3/5/76	4/26/76
6. Cargo Protection Council Revocable Permit	10/29/75	11/5/75	1/7/76	1/8/76	1-14-76	3/5/76	(g)	(h)		
7. Western Fuel Oil Co. Amend Permit 234	(e)	(e)	2/11/76	3/10/76	3-17-76	4/1/76	4/7/76	4/7/76	7/12/76	8/26/76
8. Pacific Molasses Permit 227	4/5/75	5/21/75	1/28/76	2/25/76	3-4-76	3/23/76	4/12/76	*	*	
9. Bray Oil Co.	1/3/75	1/15/75	1/21/76	2/11/76	2-26-76	3/22/76	3/26/76	*	*	
10. G A T X - renew P 206	11/22/74	12/11/74	(i)	11/26/75	12-4-75	2/5/76	2/11/76	2/11/76	4/12/76	6/13/76

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- a) Superseding existing agreements. (e) H.D. initiated amendment. \* Sent to Mayor pursuant to Exec. Dir. #16 (new series) & were later returned by CAO after #16 was amended, which provided that these agreements did not have to go to the Mayor's Office.
- b) Another City Dept. (f) Relocation due to John S. Gibson Blvd.
- c) Harbor Dept. is lessee. (g) Revocable Permits are not adopted by BHC
- d) No add'l area applied for. (h) Rev. Per. do not require Council app'l.
- (i) Prepared by staff and submitted to BHC for adoption only.
- (j) Approximate date.



	<u>Application Rec'd by Harbor Dept</u>	<u>Application Presented to BHC and Ref. to GM</u>	<u>BHC Authori- zation to Prepare</u>	<u>Referred to Mayor</u>	<u>CAO Rec'd from Mayor</u>	<u>Dept Rec'd CAO Report</u>	<u>Adopted By BHC</u>	<u>To Council</u>	<u>Rec'd From Council</u>	<u>Effec d 31 day After P</u>
1. Phillips Petroleum Co. Permit 293	10/5/72	10/11/72	12/13/72	2/11/76	2-11-76	2/18/76	2/18/76	*	*	
2. Shell Oil Co. - P 309	10/27/72	11/8/72	1/8/75	10/29/75	11-4-75	1/26/76	2/4/76	2/4/76	4/12/76	6/13/76
3. So. Pacific Trans. Agreement 1041	(f)	(f)	(i)	10/6/75	10-15-75	1/7/76	1/14/76	1/15/76	3/23/76 disapp'd	
4. Crown Auto Body Amend P 269	9/2/75	9/10/75	(i)	1/28/76	1-30-76	3/23/76	3/26/76	3/26/76	6/4/76	7/15/76
5. Mobil Oil Corp. Amend P 257	12/11/74	12/18/74	10/22/75	12/4/75	12-11-75	3/16/76	3/24/76	3/24/76	5/26/76	7/15/76
6. Macmillan Ring-Free Oil Amend Permit 250	(e)	(e)	(i)	3/10/76	3-15-76	3/29/76	4/7/76	4/7/76	6/4/76	7/23/76
7. Petrolane, Inc.-amendment	(e)	(e)	(i)	3/17/76	3-25-76	4/6/76	4/14/76	4/14/76	7/12/76	8/26/76
8. Mobil Oil Corp. Amend Order 2684	(e)	(e)	(i)	9/3/75	9-12-75	2/26/76	3/3/76	3/3/76	4/27/76	6/13/76
9. Mobil Oil Corp. - P 333	6/16/75	6/25/75	12/17/75	1/21/76	1-26-76	2/23/76	3/3/76	3/3/76	4/27/76	6/14/76
0. Wilmington Liquid Bulk	6/13/73	6/20/73	6/19/74	5/28/75	8-20-75	11/10/75	11/12/75	11/17/75	2/5/76	4/1/76
1. Ports O' Call Restaurant Master Lease	3/10/72	3/29/72	(i)	5/21/75	5-30-75	12/18/75	1/7/76	1/7/76	3/5/76	4/24/76
2. Nine marina leases	various 8/73 (j)	various 9/73 (j)	3/6/74	10/1/75	10-15-75 (j)	1/19/76	1/28/76	1/28/76	3/76 (j)	4/25/76





	<u>Application Rec'd by Harbor Dept</u>	<u>Application Presented to BHC and Ref. to GM</u>	<u>BHC Authori- zation to Prepare</u>	<u>Referred to Mayor</u>	<u>CAO Rec'd from Mayor</u>	<u>Dept Rec'd CAO Report</u>	<u>Adopted By BHC</u>	<u>To Council</u>	<u>Rec'd From Council</u>	<u>Effec. 31 day After</u>
3. Mobil Oil Corp. Mutual Term. P 160	(d)	(d)	(i)	1/22/75	1-27-75	2/26/75	3/5/75	3/5/75	6/26/75	8/14/75
4. So. Calif. Gas Co. 50-yr gas franchise	10/6/71	10/27/71	(i)	5/14/75	5-23-75	7/3/75	7/9/75	7/11/75	9/10/75	10/22/75
5. Pennzoil Company Amend Order 2776	(e)	(e)	(i)	7/7/75	7-14-75	9/22/75	10/1/75	10/1/75	12/8/75	1/26/76
6. Union Oil Co. Amend Order 2851	5/23/74	6/5/74	4/16/75	7/23/75	8-5-75	10/17/75	10/29/75	10/30/75	11/24/75	1/8/76
7. Edgington Oil Co. Permit 306	5/10/74	5/22/74	4/9/75	7/7/75	7-14-75	9/25/75	10/1/75	10/1/75	11/19/75	1/2/76
8. Calif. Cartage Co. Amend Agree. 933	10/30/75	11/5/75	(i)	2/11/76	2-26-76	3/22/76	3/26/76	*	*	



5. FEDERAL MARITIME COMMISSION INVESTIGATION OF THE LOS ANGELES  
HARBOR DEPARTMENT

As part of our review of Harbor Department operations for your Committee, our office has reviewed the status of the Federal Maritime Commission investigation of the Harbor Department's leasing practices toward Matson Terminals, Inc., a port tenant. Attached is a summary of our findings, describing Matson Terminals, Inc. use of land parcels that had not been authorized under any Matson-Harbor Department agreements. This was the incident which led to the Commission's investigation.

The attached summary has been reviewed by Mr. Ron Kennedy, Director of Port Operations for the Harbor Department; Mr. Ed Hill, Chief Wharfinger (and the individual who brought public attention to this incident), and by Messrs. James Gray, President, and W.F. Gilger, Regional Manager of Matson. All concerned indicated substantial agreement with the summary, though Mr. Hill does not accept the Harbor Department classification of the parcels in question as "sub-standard" nor does he believe that a pending rent rebate to Matson was in any way a reason for the delay in the billing of Matson for use of the parcels.

On August 24, 1976, the City's Washington representative reported to us that Mr. Eugene Stakem, Chief of the Commission's Office of Domestic Commerce, had recommended that no further action be taken on the matter inasmuch as all financial matters related to the incident had been resolved.

In a letter dated October 12, 1976, Mr. N. Thomas Harris, Deputy Managing Director of the Federal Maritime Commission, indicated that the Harbor Department "may have discriminated against Matson by charging it a rate different from that set forth in Item No. 646 of the Port's tariff" and "in failing to bill Matson in advance for the use of those parcels,...also appears to have departed from the requirements of Item 641 of its terminal tariff." Mr. Harris continues, stating that "the Port's departure from the above said provisions of its terminal tariff also raises serious questions under Section 17 of the 1916 Shipping Act, which requires ports "to establish, observe, and enforce, just and reasonable regulations and practices relating to or connected with the handling, storing or delivering of property." Mr. Harris concludes that, "taking into account all the circumstances of this case, the Commission intends to take no further action at this time with regard to the possible violations..." In the same letter, Mr. Harris urged the development of a system of internal controls by the Harbor Department to ensure compliance with all statutory requirements.

Mr. Fred Crawford, Harbor Department General Manager, indicates that in past years the Harbor Department's determinations and treatment of FMC matters was handled directly by the General Manager through the City Attorney's office. He states that during the mid 1973 and early 1974 management transition, certain oversights may have occurred. Mr. Crawford maintains that a system of internal controls has been implemented by changes in the Harbor Department's staff, as follows:





The position of Director of Port Operations has been established. This individual has responsibility for the Property Management Section, which has control of and responsibility for processing all leases, permits and Revocable Permits.

The Supervisor of Property Management reviews and evaluates, during the processing of leases, term permits and Revocable Permits, the services or operations proposed to be performed by a prospective tenant for a common carrier by water and brings such facts and data to the attention of the City Attorney's office for a determination if the use contemplated requires the agreement to be submitted to the FMC for approval or a determination that such operation or use of the premises is not subject to the Act. The Property Management Section also makes periodic field inspections of leased areas to ascertain if the premises are being used in the manner authorized in the lease.

The Director of Port Operations also has responsibility for the Wharfinger Section which handles space assignments, berthing, etc. The Chief Wharfinger is responsible in his dealing with terminal operators and other customers of the port in the processing of space assignment, berthing, documentation to determine that their use and charges conform with Port of Los Angeles Tariff No. 3.

The Director of Port Operations also is in charge of negotiating preferential berth assignments, amendments, etc. By centralization of control in this individual, closer coordination has and will continue to be developed. The Director of Port Operations is also responsible for the Port Warden Section which provides port security, checks terminal fire protection procedures, safety and compliance with the operating rules and regulations on Harbor Department premises. These special officers are being utilized as observers to make management aware of any use of land that might occur without proper authority, documentation, review, etc.

Mr. Crawford has stated that he believes that these "organization and management changes and new procedures should prevent recurrences of oversights that may have occurred in the past with the General Manager being primarily responsible for processing FMC matters through the City Attorney's office to the Federal Maritime Commission".

In view of the fact that the Federal Maritime Commission intends to take no further action and in consideration of the Harbor Department's administrative re-structuring, we recommend that the Committee take no further action on this matter.



Summary of Matson Terminal, Inc. Use of Land Parcels  
Not Authorized Under Matson-Harbor Department Agreement

By Harbor Department Agreement No. 861, approved by the Board of Harbor Commissioners Order No. 3950, adopted October 29, 1969, and approved by the Federal Maritime Commission December 18, 1969, Berths 207-209, together with an adjoining backland area of approximately 45 acres, were assigned to Matson Terminals, Inc. for a term of 5 years effective February 1, 1971. The agreement also granted to Matson an option of use approximately 690 lineal feet of water frontage at Berth 206, together with adjoining backland areas of approximately 15 acres, a portion of which was owned by Union Pacific Railroad Company and was to be acquired by the City from Union Pacific.

The Harbor Department indicates that it was anticipated from the outset that Matson Terminals, Inc. would require the use of additional land adjacent to the premises originally granted under Harbor Department Agreement No. 861. Much of the land contemplated for this additional use by Matson was either not owned by the City of Los Angeles (the Union Pacific portion), was encumbered by other uses granted by the City, or was in a substandard condition requiring certain improvements before it was usable. Section 2 of the subject assignment conditioned the rights of the parties to use of these lands upon the correction of these deficiencies. Shortly after the readiness of the main portion of the premises under the assignment, the rapid growth of business required the intermittent use of some of the substandard lands for employee parking and storage. On May 26, 1971 Matson Terminals, Inc. occupied Parcel No. 1 and 2 on Harbor Department drawing No. 45057. Both of these parcels were located within the original agreement optional area. On August 15, 1973 Matson Terminals, Inc. occupied Parcels No. 1 and 2 on Harbor Department drawing No. 5-4273. These areas were not contained in the original agreement area or optional area; they later became the subject of Los Angeles Harbor Department Revocable Permit No. 1231. (The two drawings mentioned above are appended to this summary.) No billing for the use of these four parcels occurred until December 10, 1974.

The Harbor Department states that throughout this time it was contemplated by both parties that the City of Los Angeles would be compensated at the prevailing rate for the use and occupancy of this land until such time as the option could be exercised by Matson Terminals, Inc. and all parcels formally incorporated into Preferential Berth Assignment No. 861 by amendment. The Harbor Department also indicates that throughout this period of time negotiations were in progress between the City of Los Angeles and Matson Terminals, Inc. concerning compensation due to Matson Terminals from the City as a result of several labor disputes which limited Matson Terminals, Inc. full utilization of the premises under Preferential Berth Assignment No. 861. Matson had paid to the City \$157,681.21 over and above the minimum required by the agreement. Because of the labor disputes, Matson Terminals, Inc. claimed they were entitled to a credit against compensation previously paid, in the amount of \$176,253.58. The Harbor Department further indicates that to minimize the transfer and re-transfer of funds it was felt that the finalization of rent due for the subject parcels would be deferred until the rent abatement attributable to the labor disputes was finalized. This dispute was resolved in





in the Spring of 1975 when the Harbor Department rebated \$100,625.53 of the \$176,253.58 claimed. After the resolution of the labor dispute, the Harbor Department billed Matson Terminals, Inc., and Matson paid \$92,550.82, for their use of the four parcels discussed above.

In response to a telephone conversation, Mr. Fred Crawford, General Manager of the Los Angeles Harbor Department, provided the foregoing information in written form to Mr. Eugene Stakem of the Federal Maritime Commission. In response to Mr. Crawford's November 21, 1975 letter, Mr. Stakem wrote Mr. Crawford and raised the following questions:

"(a) Why was Matson not required to pay for its use of the land on the first day of each 30-day period of such use as provided for in item 641 of the Port's tariff; and

"(b) Why was Matson not assessed the rates specified in item 646 of the tariff for such use?"

Mr. Stakem also indicated that by Maritime Commission staff computations Matson had been overcharged by \$6,839.43 for its use of the four parcels prior to December 31, 1974. Mr. Stakem also suggested that by the Commission's computations Matson has been slightly overcharged for its use of the parcels subsequent to January 1, 1975.

On March 30, 1976, Mr. Fred Crawford, in a letter to Mr. Eugene Stakem, stated that the Maritime Commission staff's computations for the period beginning January 1, 1975 were correct and that Mr. Crawford further indicated that the computations of \$92,550.82 for Matson's use of the four parcels prior to December 31, 1974 were based on the Board of Harbor Commissioners established land rental rates during that period. Mr. Crawford further indicates that the billing, by Tariff No. 3, should have been \$86,173.37. The Federal Maritime Commission's staff computations indicate that the billing should have been \$85,711.39. The \$460.98 difference resulted from an increased tariff of November 1, 1972 which the Maritime Commission apparently had not taken into account in their computations.

Mr. Crawford further states that "You are correct that Matson was not required to pay for the use of the property 30 days in advance because the initiating documentation was overlooked... As I indicated in our discussions a considerable number of staff changes had occurred during that period of time and I believe by staff oversight authorization to prepare the necessary documentation of the two parcels was not initiated within the Department. The Accounting Division cannot bill for the use of land unless they are advised by an appropriate agreement and/or document the billing is appropriate. This vital step was overlooked."

On May 10, 1976 Mr. Stakem wrote a letter to Mr. Crawford that the final amounts paid by Matson for uses of the four parcels from January 1, 1975 on were in agreement with the Commission's computation. In the same letter, Mr. Stakem requested a copy of the credit made to Matson in the amount of \$6,378.45 that appeared





to be due Matson for overpayment of rent due as of December 31, 1974 for its use of the four parcels. On May 24, 1976 Mr. Crawford forwarded a copy of a credit memo providing a \$6,378.45 credit to Matson. On June 28, 1976 Mr. Stakem indicated receipt of the aforementioned credit memo and indicated that the credit amount for Matson's use of the four parcels agreed with the Commission's computations.



6. DISPOSITION OF REVENUES FROM LAND TRANSFERRED  
FROM THE CITY TO THE HARBOR DEPARTMENT

In 1955, a 288 acre parcel of land north of Wilmington - San Pedro Road was transferred by ordinance from the City to the Harbor Department. Part of this land was later transferred back to the City for use as a police facility. Since the relocation of the road to its new alignment as John S. Gibson Boulevard, the Harbor Department has constructed improvements on the remaining land and leased it to Port tenants. Revenues from these leases were then deposited in the Harbor Revenue Fund.

On the basis that at least a portion of these revenues should accrue to the City because the property is not State-granted tideland, your Committee requested that we review the matter in the course of this study.

As you know, the City and the Harbor Commission have subsequently entered into a settlement agreement and a related rental agreement covering the allocation of revenues from this property, as well as other disputed subjects. The settlement agreement was approved by the Harbor Commission, City Council and State Lands Commission, with final State action being taken on July 26, 1977.

Because the matter has been determined through approval of these agreements, no further action is needed on the tidelands revenue dispute. For purposes of reference, we are providing a summary of the issues decided by the agreements.

By means of the settlement and rental agreements, it was decided that the revenues from use of the transferred land would be segregated into trust and nontrust income, and a separate accounting of nontrust income maintained. The Harbor Department is to pay the City rental on the property, out of the nontrust revenues.

The agreement defines nontrust revenues as the total gross revenues attributable to the land and improvements minus (A) a management and administrative fee of five percent of gross revenues and (B) an amount sufficient to amortize the actual cost of existing and future improvements constructed on the land with harbor revenue funds over the economic life of the improvements, with a nine percent rate of return on investment of such funds. Repairs over \$10,000 to improvements which are paid for by the Department and are not reimbursed by tenants or other parties, are to be included in the cost of the improvements for amortization purposes.

From these nontrust revenues, the Department is to pay rent on the property as specified in the rental agreement. This latter agreement provides for annual rental of nine percent of the fair market value, and sets the current value at \$2.25 per square foot. For later years, the rate of return is to be the same as set by the Commission generally for Port properties, and the fair market value will be determined through independent appraisal. The first payment is scheduled for October 1, 1978, and is estimated by the City Administrative Officer at \$627,254.





Other elements of the settlement agreement are as follows:

1. The Harbor Commission is to transfer \$3,126,309 to the City General Fund as reimbursement for general obligation bonds issued by the City for Harbor improvements in annual installments not to exceed \$750,000. (See part 7 of this report for further information on bond reimbursement.)
2. The Harbor Commission is to bill the City for tidelands trust lands used for general municipal purposes, with allocation of these costs for general municipal purposes versus tidelands benefit. This billing is to start as of July 1, 1977.
3. The City is to bill the Harbor Commission for "appropriate City services" starting July 1, 1977. (See part 7 of this report for further information on billing for City services.)
4. All other disputed claims involving the Harbor Revenue Fund and the City General Fund prior to fiscal year 1977-78 are waived. In part, this permits approximately \$3.8 million of interest allegedly earned on City investment of Harbor Revenue Funds to remain in the General Fund. It also closes any negotiation of City service costs and use of tidelands prior to the 1977-78 fiscal year.



7. HARBOR DEPARTMENT REIMBURSEMENT TO THE CITY FOR  
SPECIAL SERVICES AND GENERAL OBLIGATION BONDS

A further aspect of our study of the Harbor Department involves the long-standing issue of Harbor Department reimbursement for special City-financed services and repayment of past general obligation bond issues which supported Port development. As indicated in connection with item number 6 of our study, this question has been the subject of a settlement agreement between the City and the State Lands Commission.

Since the date of your Committee's request for a report on this subject, the question of repayment for the general obligation bonds has been put to rest by the settlement agreement. As you are aware, by the terms of this agreement, the Harbor Commission is to pay back a total of \$3,126,039 for the bonds in installments of up to \$750,000 per year. The first such payment of \$750,000 was recently made by the Commission and has been deposited in the City Treasury.

For the Committee's reference, we have attached a summary of the major dates leading up to signing of the settlement agreement. This summary also includes dates relating to the matter of reimbursement for City services, as the settlement agreement resolved a portion of this issue. The information included is an expansion of a record prepared by the City Administrative Officer.

The settlement agreement requires the Commission to bill the City for tidelands trust properties used for general municipal purposes after July 1, 1977. Similarly, the City is required to bill the Commission for "appropriate City services" provided after the same date.

The issue outstanding is whether the phrase "appropriate City services" includes special fire protection services provided to the Harbor Department. City Council consideration of this matter has been ongoing primarily through the Finance Committee, although the question was central to your Committee's review of the proposed \$30,000,000 Harbor Revenue Bond issue.

In connection with the proposed bond issue capital program, the City Administrative Officer had estimated one-time City costs of up to \$10,290,000 and ongoing annual City costs of \$2,180,000 if the projects are constructed. Out of these amounts, \$7,100,000 initial cost and the full \$2,180,000 annual cost were estimated as fire protection outlays. As you recall, after your Committee acted to recommend that Council action on the bond issue be tied to full Harbor Department reimbursement for these services, the Commission repealed its request for approval of the bonds.

Speaking to the matter of current-level fire protection, the City Administrative Officer has recommended that he be authorized to bill the Harbor Department for the cost of special administrative and fire protection services for the 1977-78 fiscal year, and to continue to



make such billing on an annual basis. We have not spelled out the details of the reimbursement controversy in this report, as they have been previously stated in reports of the City Administrative Officer to both your Committee and the Finance Committee.

The matter of reimbursement has been sent to the Council by the Finance Committee, and will appear on the Council Calendar in the near future.





ATTACHMENT

SUMMARY OF MAJOR DATES - CITY GENERAL  
OBLIGATION BONDS AND SPECIAL SERVICES

December 17, 1907	First Harbor Commission created (by Ordinance).
June 8, 1909	Consolidation Committee Report, enabling Wilmington and San Pedro to consolidate with City, approved by Council.
August 4, 1909	Election consolidating Wilmington into Los Angeles.
August 12, 1909	Election consolidating San Pedro into Los Angeles.
April 19, 1910	Ballot measure authorizing \$3,000,000 of General Obligation Bonds for port purposes (bonds were dated June 1, 1911; bonds were issued March 30, 1912, \$1,000,000 and April 5, 1912, \$2,000,000).
March 6, 1911	Charter Amendment established Harbor Department, Harbor Commission, and Harbor Revenue Fund. Charter Section 185 adopted--Council could authorize use of Harbor Revenue Fund to pay annual installments for principal and interest on General Obligation Bonds; Council never exercised this authority.
May 1, 1911	State Legislature passed "Los Angeles Tidelands Act" conveying all tidelands within annexed cities of Wilmington and San Pedro to Los Angeles to be held in trust for the purposes of commerce, navigation and fisheries.
April 15, 1913	Ballot measure authorizing \$2,500,000 of General Obligation Bonds for port purposes.
May 6, 1919	Ballot measure authorizing \$4,500,000 of General Obligation Bonds for port purposes. The three ballot measures 1910, 1913, and 1919 authorized the issuance of \$10 million of bonds to be expended for harbor purposes as agreed to in the consolidation with Wilmington and San Pedro (Note, however, for accounting purposes, the \$100,000 of bonds issued by the City of Wilmington and assumed by the City is included in the first \$10 million; it is necessary to make an adjustment to reduce the 1919 issue by a corresponding \$100,000). These bonds were issued in the period from March 30, 1912 to September 20, 1923.
January, 1921	Charter Amendment wherein Section 185 was rewritten as Section 176--no change in that Council could authorize use of Harbor Revenue Fund to pay annual installments for principal and interest on General Obligation Bonds from funds not appropriated for other purposes.



June 7, 1921	Ballot measure authorizing \$4,800,000 of General Obligation Bonds for port purposes.
June 5, 1923	Ballot measure authorizing \$15 million of General Obligation Bonds for port purposes. The first series of \$5 million was issued prior to the May, 1924 Charter amendment noted below. Therefore, a total of \$19.9 million of General Obligation Bonds were issued prior to the 1924 Charter change (\$100,000 issued by Wilmington in 1908 and assumed by the City; \$10 million agreed to in Consolidation; \$4.8 million issued as authorized in 1921; \$5 million issued from \$15 million authorized in 1923).
May 6, 1924	New Charter adopted. Section 145 provides that Harbor can repay City from surplus funds, for principal and interest on bonds. Harbor can pay annual amounts on principal and interest coming due. (This superseded old Charter Sections 185/176).
April 7, 1959	Charter Amendment adding subsection (i) to Charter Section 146 which, in effect, requires interest earned on Harbor funds to be credited to Harbor Revenue Fund.
January 31, 1969	Council adopted motion (C.F. 142,651) requesting Harbor Department to reimburse City for past General Obligation Bond issues.
May 10, 1971	City Attorney (Harbor) report regarding General Obligation Bonds.
January 15, 1973	City Administrative Officer requests clarification from the City Attorney concerning May 10, 1971 report.
August 4, 1974	Council instructed City Administrative Officer to report to Finance Committee regarding Harbor reimbursing the City for past General Obligation Bond expenditures.
October, 1974	State Auditor General audit of Harbor Department.
November 4, 1974	City Attorney report regarding transfer of funds from Harbor Revenue Fund to the City (responding to January 15, 1973 request of City Administrative Officer).
June 27, 1975	City Administrative Officer, as directed by City Council, submits bill for \$2,151,408 to Harbor Department for special services provided to Department by Council controlled departments during fiscal year 1973-74; nearly all of amount is attributable to cost of fire protection services.





February 10, 1976	Harbor Commission resolves not to pay for special fire protection services as billed by City on 6-27-75, but indicates that consideration will be given to payment for other special services (i.e., costs of the Controller, Treasurer, and Personnel Department.)
March 10, 1976	Board of Harbor Commissioners adopts a report of the Harbor General Manager recommending that he negotiate an agreement with the City to provide for City payment of \$346,674 for Harbor land used for general municipal purposes during 1973-74.
March 30, 1976	City Attorney opinion that Harbor Department is not obligated to pay for fire protection services rendered by the City at the Harbor, but that the Board of Harbor Commissioners could reverse its previous decision not to pay for such services and thereupon apply cost of such services as credit against the Department's billing of the City for use of Harbor lands for general municipal purposes.
July 29, 1976	State Attorney General informal report regarding General Obligation Bond repayments.
January 5, 1977	City Administrative Officer report to Finance Committee on the problems involved with the Harbor Department reimbursing the City for past General Obligation Bond expenditures on behalf of the Department.
June 29, 1977	Settlement Agreement, resolving various disputed claims between the Harbor Department and the City, is adopted by the Harbor Commission.
June 30, 1977	Settlement Agreement approved by City Council.
July 26, 1977	Settlement Agreement approved by State Lands Commission.
September 19, 1977	City Administrative Officer report to Industry and Transportation Committee recommending approval of Harbor Department's request for authority to issue \$30 million in revenue bonds.
October 4, 1977	City Administrative Officer report to Mayor recommending payment of Harbor Department billing for 1977-78 rental of land used for general municipal purposes, and further recommending that CAO be authorized to bill Harbor Department for cost of special administrative services (Controller, Treasurer,



October 7, 1977      City Administrative Officer report regarding impact of Harbor Department's five-year capital Improvement Program on other City departments.

November 23, 1977      Harbor Commission rejects proposal of Industry and Transportation Committee that Harbor Department commit itself to pay for \$7.1 million in fire capital improvement costs and \$2.18 million in operating costs as a condition of Council approval of the Department's request for a \$30 million bond issue. Board repeals its order for bonds.

December 12, 1977      City Administrative Officer report to Mayor recommending that Council authorize the CAO to bill the Harbor Department for costs of special fire protection services for 1977-78 and henceforth on an annual basis.



8. STATUS OF IMPLEMENTATION --  
1974 CAO MANAGEMENT AUDIT OF HARBOR DEPARTMENT

BACKGROUND

One of the areas related to the Harbor Department which we were requested to review was the status of implementation of the recommendations from the City Administrative Officer's management audit of the Department.

The CAO's audit had been conducted at the request of the Mayor, and was released in January 1974. On February 7, 1974, the Mayor indicated to Council that he concurred in all of the audit recommendations with the exception of one area. He requested that the Harbor Commission not act on Recommendations numbers 1 and 2 regarding possible merger of the Ports of Los Angeles and Long Beach, stating that this proposal involves a policy decision more appropriately handled by the Mayor and Council. At the same time, the Mayor asked the Harbor Commission to "...move as expeditiously as possible to implement all the other recommendations."

The audit was last considered by your Committee in 1975, when the CAO presented a status report. The matter was then continued in committee.

SUMMARY

The CAO's report had been submitted in two parts, with a basic report and a supplement. The basic report addressed 55 areas, with a total of 91 recommendations (counting the multi-part recommendations individually). The supplement referred to 25 additional areas, totalling 30 recommendations.

A summary of the current status of the full 121 recommendations is as follows, using the CAO's categories of status:

<u>Total</u>	<u>Implemented</u>	<u>In Process</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
121	84	16	5	16

As shown by this tabulation, 82.6 percent of the recommendations have either been implemented or are in the process of implementation, while 69.4 percent have been fully implemented. The Harbor Department agrees with these figures, if the CAO's categories of status are to be used. However, the Department prefers to use other categories, as will be explained below.

In submitting this report, we are stating our understanding of the status of implementation of the CAO's 1974 recommendations. We have not made a separate evaluation of the merits of these recommendations, nor of the appropriateness of the Harbor Department's actions on them.





To develop information on current status, we first requested and received reports from the Harbor Department. These reports were analyzed and discussed with Department staff, and the status of each recommendation has been appraised individually. Where the Department's comments did not coincide with our understanding of the situation as reported, these differences have been mutually studied and resolved.

To provide for easier comparison with the original CAO audit and his 1975 status report, we have used the same definitions as the CAO in determining the degree to which each recommendation has been implemented. These definitions are as follows:

1. Implemented - Department has fully implemented the recommendation.
2. In Process - Department is currently implementing the recommendation.
3. Partially Implemented - Department has only implemented a portion of the recommendation and disagrees with the remaining portions.
4. Not Implemented - Department has not implemented and generally does not agree with the recommendation.

The Harbor Department prefers to use an additional set of definitions of status for the 21 recommendations which we classify as "partially implemented" or "not implemented". These definitions are:

- (a) Implemented as far as possible by the Department and still fulfill its responsibility to operate in the most efficient and economical manner.
- (b) Nothing to implement after organizational or operational changes or in-depth study by the Department.
- (c) Not implemented because implementation would interfere with operating the Department in the most economical and efficient manner, after study and review by order of the Board or for #41b implemented and after a period rescinded.

A complete listing of the status of each recommendation is shown on the attached table. For each "partially implemented" or "not implemented" recommendation, we have also indicated the Harbor Department's assignment of status.



To provide for easier comparison with the original CAO audit and his 1975 status report, we used the same definitions as the CAO in determining the degree to which each recommendation has been implemented. These definitions are as follows:

1. Implemented - Department has fully implemented the recommendation.
2. In Process - Department is currently implementing the recommendation.
3. Partially Implemented - Department has only implemented a portion of the recommendation and disagrees with the remaining portions.
4. Not Implemented - Department has not implemented and generally does not agree with the recommendation.

In the "detail" sections of this report, we will discuss those recommendations which we find to be either partially implemented or not implemented. A brief indication of the subjects of these recommendations follows:

Partially Implemented---

- #19c - Preparation of substructure maps.
- #24b - Comparative data in Board reports.
- #33 - Disposing of boats and deletion of positions.
- #35 - Deletion of positions.
- #46b - Review of insurance clauses in proposed contracts.

Not Implemented---

- #7a & 7b - Revised preparation of Board minutes.
- #18a - Duplication of accounting in Construction and Maintenance versus Accounting Divisions.
- #20 - Management committee on data processing.
- #23b - Report on potential use of vacant properties from Supervisor of Property Management.
- #26a, 26b & 26c - Duties and staffing of the Fish Detail.
- #34a - Reassign Field Engineering Aide to survey party.
- #34b - Delete position of Instrumentman.
- #37b - Discontinue operation of Department nursery.
- #41b - Discontinue assigning Special Officer to Board meetings.
- #51 - Purchase of 2 pilot boats at the same time.
- #54 - Use of Public Works services on a reimbursable basis.
- Supplement, #2 - Modify engineering design review procedures.
- Supplement, #9a - Advance approval of overtime by Board.





DETAIL - RECOMMENDATIONS PARTIALLY IMPLEMENTED

Rec. #19c

"Prepare a complete set of substructure maps making use of tracings of the 50 scale base maps of Harbor Department property which have been prepared by the Bureau of Engineering."

Status

The Department has prepared substructure maps, but decided to continue to use a 40 scale base (1 in. - 40 ft.). After discussions with the Bureau of Engineering, it was decided that conversion to 50 scale would not be cost-efficient, since the Harbor Department also maintains 100 scale maps that are compatible with Engineering and the rest of the City departments' map systems.

Rec. #24b

"Require that reports to the Board relative to leasing Port property include comparative data on what other ports and agencies are receiving from similar types of tenants."

Status

The Department indicates that "Reports to the Board relative to leasing property have been expanded to the Board's satisfaction. Also, when appropriate, comparative statistics (such as included in the Annual Rent Policy Report and recommendation) are included in reports to the Board."

It has been our observation from attending Commission meetings that such information has not been included in Department staff reports with any degree of frequency. We therefore classify this recommendation as partially implemented.

In their most recent comments on the status of this item, the Department reiterates that they do provide comparative data in special instances such as when a subsidized rental arrangement is being recommended because of competition from other ports, but not on a regular basis in reports to the Board.



Rec. #33

"Dispose of the following boats and delete positions as indicated:

Angelena - one position each of Boat Operator and Deck Hand.  
Angels Gate - one position each of Tug Boat Captain, Marine Diesel Engineer and Deck Hand.  
One refuse collection boat - two positions of Maintenance and Construction Helper.  
Service Boat No. 2."

Status

The Department reports that they "...made an indepth study of this recommendation and determined that the boats have significant economic ('Angels Gate') and public relations ('Angelena') value to the Department. The 'Angels Gate' more than pays its way when compared to the cost of renting large commercial tugboats to perform work that only a tugboat of this size can perform, and in addition, the 'Angels Gate' enables the Port to assure full time emergency and back-up tugging service - tugboat employee strikes, fire and other emergency tugging, etc. The two positions, Maintenance & Construction Helpers, have been transferred to the Construction & Maintenance Division and have been assigned other duties. The 'Angelena' is now manned as needed and its public relations value to a Port of this size more than offsets its minimal operating costs and the inappreciable amount that would be derived from its disposition."

Rec. #35

"Delete the following positions:

One Maintenance Laborer from the materials Testing Laboratory.  
Two Warehousemen.  
Four Deck Hands when a new Pilot Boat is placed in service.  
Two Boat Operators assigned to the Security Division."

Status

Harbor Department staff indicates that "...one Maintenance Laborer has been deleted from the Materials Testing Laboratory. An indepth review of the operation of the Supplies Warehouse indicated that the two Warehouseman positions are needed to maintain the operations; however, the Administrative Division is reviewing the purchasing and warehousing operations of the Department. Modern methods are necessary; if new labor-saving equipment can be utilized, a reduction in staffing through attrition would be recommended. The Department, at the present time, is developing specifications for a new pilot boat. It is the Department's intention that when a new pilot boat is placed in service that the staffing will be reviewed. At the present time, only one boat operator is assigned to the security division."



Rec. #46b

"Direct the Chief Accountant to review for approval all compensation and insurance clauses in all proposed contracts during the negotiation phase."

Status

The Department classifies this recommendation as having been "implemented as far as possible." The Department's position is that their current procedures provide for multiple review of contract insurance clauses by executive and administrative staff, as well as City Attorney staff. This is felt to be sufficient to guarantee proper supervision of insurance obligations.

With respect to the part of the CAO recommendation referring to review of insurance clauses during the negotiation phase, the Department indicates that the Board has requested that a member of the City Attorney's staff be present at negotiations for all Harbor nonconstruction contracts.

Because this recommendation for review by the Chief Accountant during the negotiation phase is not currently being put into effect for all contracts, we have classified the item as partially implemented.

DETAIL - RECOMMENDATIONS NOT IMPLEMENTED

A total of sixteen recommendations have not been implemented by the Harbor Department. An itemization of these recommendations and the Department explanation of each case follows:

Rec. #7a and 7b

"Direct the Secretary to the Board to revise the preparation of Board minutes by:

- a) Excluding copies of letters and reports.
- b) Using the current resume of minutes as the minutes per se, with the addition of the names of Commissioners making motions and voting aye or no."

Status

According to Department staff, "A detailed review of the preparation of the official minutes of the Harbor Department was conducted by the Board Secretary and reviewed by the Board of Harbor Commissioners. The Board of Harbor Commissioners, after its review and analysis, directed the Secretary to continue to include in the official minutes of the meeting copies of letters and reports and indicate Commissioners making motions and their voting record."





Rec. #18a

"Direct the Chief Accountant and the Chief Harbor Engineer to survey all accounting operations in the Construction and Maintenance Division with the objective of eliminating the duplication of accounting operations in the Construction and Maintenance Division and deleting positions no longer needed."

Status

This recommendation could be classified as "implemented" because it calls for a survey of accounting operations, which the Department did conduct. However, we have listed the status as "not implemented" so that the Council Committee would be informed that the results of the survey did not lead the Department to make the type of changes that the CAO had thought to be investigated.

On this recommendation, the Department states as follows:

"There was no actual duplication of accounting operations in the Construction and Maintenance Section and the Accounting Section. However, supported by this recommendation, the Department's Data Service Section programmed and is currently producing two additional EDP reports specifically to meet the needs of the Engineering Division and the Construction and Maintenance Section. Production of these two additional reports has eliminated most of the manual accounting that the Engineering Division and Construction and Maintenance Section were required to perform to meet their specific needs.

"The Accounting Section requires audited, firm historical financial data and requires and produces reports and projections based on this data in accepted accounting formats developed and approved by the Accounting Section, the Department's outside auditors and the City Controller. The Engineering Division and the Construction and Maintenance Section develops information and projected job cost estimates and, to operate efficiently, must have on-going materials, services and labor cost data and reports on a much more current basis than can be provided by the Accounting Section. The Engineering Division and Construction and Maintenance data requirements and report formats are also different, tailored to be most meaningful to the Engineering Division and the Construction and Maintenance Section. The two functions are different, the currency and accuracy needs and data utilization are different; therefore, the operations, requirements and formats of the reports are different and distinct.

"The Department's Data Service Section produces audited, firm historical financial data for the Accounting Section tailored to the Accounting Section's requirements, where accuracy is more critical than currency.

"The Department's Data Service Section has developed, and is currently producing, four (4) EDP Cost and Labor Hour Reports specifically to meet the needs of the Engineering Division and the Construction and Maintenance Section: (1) Engineering Cost



Data Report; (2) Engineering Cost Data Report by General Manager's authorization; (3) Expenditures by Engineering Cost Centers and Engineering Classifications (labor hours) and; (4) Expenditures by Engineering Classifications (labor hours) and Engineering Cost Centers. These reports are current (four days after the close of each payroll period, as opposed to up to two and one half months after for Accounting reports), and are meaningful and useable by the Engineering Division and Construction and Maintenance Section personnel.

"A major objective of the Administration Division, and a primary requirement of the on-going Industrial and Administrative Survey, is to design and develop a meaningful and informative "Total Information System" that will consolidate all Harbor Department and related data into one EDP Data Bank from which standardized and universally utilized, and specialized reports will be produced."

Rec. #20

"Establish a management committee to evaluate proposed data processing systems and monitor approved projects."

Status

It was the judgment of the Department that the committee system "would not be an effective entity to evaluate proposed data processing systems." In lieu of this, the Director of Port Administration and the General Manager evaluate and monitor projects.

The effectiveness of the present Department evaluation procedure could appropriately be reviewed when the Industrial and Administrative Survey final report has been analyzed with possible changes in Harbor data processing systems.

Rec. #23b

"Direct the Supervisor of Property Management to report periodically on the potential uses of vacant properties."

Status

In the management audit, the CAO reported that "There is also a need for a periodic report on the alternative uses of vacant property. This report should list and describe the vacant parcels and discuss various ways that they might be utilized. Management and trade promotions personnel could make productive use of such information during the course of their contacts with prospective tenants."

The Harbor Department classifies this recommendation as being "implemented as far as possible." Their opinion is that a report on vacant properties would be of little value and be very costly to maintain. They note that, when the City Admin-





istrative Officer conducted his management audit in 1973-74, the Department "...for a short period, had an unusual amount of vacant property. Normally, of the estimated seven thousand plus acres of land and water under the control of the Harbor Department, only a very small percentage of properties are vacant at any given time."

The Department is also reportedly in the process of developing a new automated information system which will "probably" contain a detailed register of all properties, in use or vacant.

Rec. #26a-b-c

"Transfer the responsibility for collecting fees in Fish Harbor from the Fish Detail to the Chief Wharfinger.

"Review the remaining duties being performed by the Fish Detail with a view toward their elimination or transfer to another division.

"Delete security and clerical positions no longer needed."

Status

After reviewing this recommendation, the Department decided against transferring the responsibility for collecting fees at Fish Harbor to the Wharfinger, preferring to leave these duties with Special Officers who have peace officer powers. As parts "b" and "c" of the recommendation are tied to this idea, these items remain unimplemented.

Rec. #34a

"Reassign the Field Engineering Aide now performing office duties to work as a member of a survey party."

Status

The Department has decided to not reassign this position. The employee is not reportedly assigned on a 20%-time basis to a survey party, and is available as a replacement when other survey crew members are off work because of illness or vacation.

Rec. #34b

"Delete one position of instrumentman" from the Survey and Inspection Section of the Engineering Division.

Status

Rather than deleting this position, the Department has created a new survey team. This recommendation has not been implemented, however it appears to be because of a reorganization to accommodate what the Department sees as an increased workload.



Rec. #37b

"Discontinue operation of the nursery, dispose of nursery stock not needed in the foreseeable future and delete positions no longer needed."

Status

The Department reportedly made an in-house study which showed that "a considerable amount of money" is saved by operating its own nursery rather than buying nursery stock from retailers or wholesalers.

Rec. #41b

"Discontinue the routine assignment of a Special Officer as Sergeant at Arms at Commission meetings."

Status

The regular attendance of a Special Officer at Commission meetings had been discontinued, but the Board has subsequently requested that an Officer be assigned for security purposes. This recommendation has not been implemented, at the present time.

Rec. #51

"Determine if substantial savings can be achieved if two identical pilot boats are purchased at the same time.

Status

The Department conducted a study which reportedly indicated that two new pilot boats are not needed. It is proposed that one new boat be purchased, the current primary boat be used as a "back-up", and the current "back-up" boat be scrapped.

Rec. #54

"Discuss with the Department of Public Works the feasibility of having the following services provided by the Department on a reimbursable basis: construction inspection, engineering surveys and materials testing."

Status

Although this matter was reportedly discussed with the Department of Public Works, as the CAO had recommended, the substance of the proposal has not been adopted. We thus list this item as not implemented.



In his 1975 status report, the CAO indicated that he believed that "...this recommendation should be given careful study based on the current workload of construction inspection, engineering surveys, and materials testing that is going on in the Department. Although the charges rendered by the Department of Public Works might well be higher on a per unit basis, the level of work in the Department would not justify the continuation of these three services on a full time basis and would appear to be cheaper to reimburse the Department of Public Works for the services."

Reporting on the current status, the Harbor Department states that:

"This recommendation was reviewed and it was determined that the City would not realize any saving. In fact, it would probably result in considerable outlay of funds by the City. The Harbor's construction inspection and engineering survey teams require specific expertise. If the Department of Public Works were to provide these services, they would have gone through the costs of training individuals for the jobs. The Materials Testing Laboratory provides research and testing information that is far removed from the services that could be provided for by Public Works."

"Other Problems" Report Rec. #2

"Analyze the engineering design review procedures and modify them to reduce the time for review involved."

Status

Harbor Department staff studied their design review procedures and decided not to make a substantive change in this area. They report that they now use the same procedure as "other engineering units." Because the reviewer is responsible for design accuracy, it is felt that a complex review is necessary, sometimes requiring a full recalculation of the design elements.

"Other Problems" Report Rec. #9a

"Request advance approval of scheduled overtime." (i.e., advance approval by the Harbor Commission)

Status

The Department reports, in response to this item, that the Commission gives advance approval for overtime in its annual budget process, and that the authority is delegated to the General Manager or his designee during the fiscal year.





IMPLEMENTATION OF 1974 CAO MANAGEMENT AUDIT

Rec. No.	Implemented	In Process	Partially Implemented	Not Implemented
1	X			
2	X			
3	X			
4a		X		
b	X			
c	X			
5	X			
6	X			
7a				X (c)
b				X (c)
8	X			
9a		X		
b		X		
10		X		
11a		X		
b	X			
12a	X			
b	X			
13	X			
14	X			
15	X			
16a	X			
b	X			
17a	X			
b	X			



Rec. No.      Implemented      In Process      Partially Implemented      Not Implemented

18a				X (b)
b	X			
c	X			
19a	X			
b	X			
c			X (a)	
d	X			
20				X (a)
21a		X		
b	X			
22a		X		
b		X		
23a	X			
b				X (a)
c	X			
24a	X			
b			X (a)	
25	X			
26a				X (c)
b				X (c)
c				X (c)
27a	X			
b	X			
28a	X			
b	X			





Rec. No.	Implemented	In Process	Partially Implemented	Not Implemented
29a	X			
b	X			
30a	X			
b		X		
31	X			
32		X		
33			X (a)	
34a				X (a)
b				X (b)
35			X (a)	
36		X		
37a	X			
b				X (c)
38	X			
39a		X		
b	X			
40a	X			
b	X			
41a	X			
b				X (c)
42a	X			
b	X			
c	X			
d	X			
e	X			



[illegible]



# IMPLEMENTATION OF SUPPLEMENTAL RECOMMENDATIONS

Rec. No.	Implemented	In Process	Partially Implemented	Not Implemented
1	X			
2				X (c)
3	X			
4	X			
5		X		
6	X			
7	X			
8a	X			
b	X			
9a				X (b)
b	X			
10	X			
11	X			
12	X			
13	X			
14	X			
15	X			
16	X			
17	X			
18		X		
19a	X			
b	X			
c	X			
20	X			
21a	X			
b	X			





RECOMMENDATIONS:

1. That the City Council, as it appears prudent based upon the recommendations of the Harbor Commission, the City Administrative Officer, and the 1976 Industrial and Administrative Survey, support the Capital Improvement Program of the Harbor Department to provide the new and expanded facilities which are needed to attract and maintain Department tenants. Such support should be with the proviso that the Harbor Department pay the City for appropriate City services rendered the Department.

2. That the Harbor Department be requested to work with the Office of the Chief Legislative Analyst to identify and secure additional grant funds for the support of Harbor projects.

3. That, as outlined in the section of this report on contract processing, the City Council and Mayor modify the procedures currently in effect to expedite contracts and other Harbor Department matters coming before the Council and the Mayor.

4. That the City Council and the Mayor review, and as appropriate, approve policies of the Harbor Commission for various items (tariffs, leases, contracts, etc.) and expedite the review of all Harbor Commission matters which are found to conform with the previous approved policies.

(Recommendations #3 and #4 assume no institutional change in the Harbor Department's relationship to the City. See "Charter Change" section of this report for proposed changes.)

Los Angeles Harbor Department Tenants who have left and gone to Long Beach.

Summary:

Through discussions with various tenants, with management personnel in other ports, with the Director of Property Management for Los Angeles Harbor and the Los Angeles Harbor Department Wharfinger, and a review of available records we have identified various companies which have at some time in the last ten years done business or were alleged to have done business in the Port of Los Angeles and have subsequently moved to Long Beach. We have contacted these tenants to garner reasons for their departure from Los Angeles Harbor. Recommendations for improvement of Harbor operations are shown where such comments were made by these former tenants.



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#9 COMPETITIVE POSITION OF THE PORT OF LOS ANGELES  
VIS-A-VIS THE PORT OF LONG BEACH

As requested by the Industry and Transportation Committee, we have reviewed the operation of the Harbor Department and the Commission to determine what areas could be improved to favorably affect our competitive situation with the Port of Long Beach. Our first step in the examination of this issue has been a determination of the exact nature of the problem. The study has involved discussions with a large number of Los Angeles Harbor tenants and ex-tenants, discussions with current and past Los Angeles Harbor Commissioners, Harbor Department staff and review of various studies and other data regarding Los Angeles' competitive situation with the Port of Long Beach.

SUMMARY:

There is a general agreement among current and past Los Angeles Harbor tenants, as well as current and past Harbor Commission members and Harbor Department staff, that the major competitive edge held by the Port of Long Beach has been that port's ability to offer significantly better facilities to its tenants and prospective tenants at fixed fees. Inasmuch as both ports operate under similar tariffs, as required by the Federal Maritime Commission, Long Beach's ability to provide better facilities has been the significant difference in that port's offerings to tenants and prospective tenants.

The Port of Los Angeles has consistently led the Port of Long Beach in net income and Los Angeles is currently approximately equal to Long Beach in the value of fixed properties.

Significant oil revenues, available in the past to the Port of Long Beach, appear to have been the source of the capital for the construction of major new facilities in that port.

With the exception of long-standing support from the Army Corps of Engineers the Harbor Department has not received significant grant funds for support of Harbor projects.

Also cited by Harbor tenants, Commissioners and staff is a significant time differential in the processing of various items by the two ports. As indicated in the section of this report on contract processing, the various reviews required in Los Angeles City Hall appear to be one cause of the greater time being required for approval in Los Angeles. Also mentioned was the need for the City to have unified policies on Harbor Department matters. Numerous individuals suggested that the City Council and the Mayor establish policies governing various facets of Harbor Department decision-making to provide both certainty on the part of the Harbor Commission and Department staff in planning, and in negotiating with tenants, and to provide expeditious processing of Harbor Department items.

Our analysis suggests that the development of unified policies on Harbor Department matters and expeditious processing of these matters could be achieved in several ways, as outlined in the following recommendations and in the "Charter Change" section of this report.





Seven of the ten tenants contacted indicated that their move to Long Beach was due to lack of required facilities in Los Angeles. (Current Harbor management has suggested that the past General Manager did not believe that containerization would continue and grow and thus did not support development of container facilities.) One of the seven, Prudential Grace Lines, has returned to Los Angeles. Of two other companies which have been rumored to have left Los Angeles one (Sealand) has always operated from Long Beach and the other maintains it only occupied space in Los Angeles on a temporary basis. One other company went out of business.

Detail:

Balfour, Guthrie. - A representative of Balfour, Guthrie indicates that their company moved to Los Angeles only on a temporary basis because the Army had taken their facilities, Pier B in Long Beach, and that when facilities became available again in Long Beach they moved back. They were unwilling to make any other comments about the competitive nature of the ports.

Columbus Line. - A representative of Columbus Line indicates that Los Angeles did not have the container facilities and the cranes that Columbus Line needed. They moved about four years ago when they changed to container operation. They consider both ports very capable. They have had no problems with L.A.

Japan Line, Mitsui O.S.K., "K" Line. - It had originally been suggested to us that Japan Line and Mitsui O.S.K. had both left L.A. Harbor for Long Beach. In reality both Japan Line and Mitsui O.S.K. are still principally located and doing business in Los Angeles. They are part of the consortium which operates the L.A. Container Terminal.

One of the four members of the consortium, the "K" Line, has maintained a certain part of its operation in Long Beach for years. "K" Line moved primarily because the Los Angeles Container Terminal could not accommodate additional ships that "K" Line was bringing into Los Angeles. "K" Line had previously established itself at the International Transportation Service in Long Beach which was built seven years ago when they needed additional facilities. It was much easier to use the facilities they already had in Long Beach as opposed to trying to find additional ones in Los Angeles.

A representative of Japan Line believes that both ports are generally competitive. Japan Line indicated no intent or reason to move. A certain portion of their business, which is carried by the "K" Line, goes to Long Beach simply because "K" Line's principal facility is now in Long Beach.

Recommendations for Improvement: Discussions with representatives of Mitsui and Japan Line included the following suggestions for improvement: there is a great need to develop more open space for container facilities; backland areas in Los Angeles are smaller than Long Beach and the many old buildings and warehouses need to be demolished; Long Beach has been more aggressive in putting up container cranes.



Maersk Line. - A representative of the Maersk Line maintains that Los Angeles did not have the facilities to offer at the time that Maersk Line needed to expand. The Maersk Line needed its own facilities, its own crane, backlands, separate gate and wanted their own identity and Los Angeles could not provide it.

Recommendations for Improvement: A representative of Maersk Line suggested that someone with shipping experience be added to the Harbor Commission. Without making any comment on past performance, the same representative suggested that the management in Los Angeles has improved.

Pacific Far East Line - PFEL left Los Angeles Harbor April 1976. The company never had a direct agreement with the Harbor Department but rather had agreements with Consolidated Marine Terminals, Inc. and Metropolitan Stevedore Company which actually ran the operation at CMI. The situation at CMI was that the American President Lines would bump PFEL ships causing significant time delays and hence significant cost to PFEL. All of this was caused by a lack of cranes at the CMI facilities. PFEL hoped to improve what is called the turning time on a ship by moving to Long Beach where they had immediate access to at least one if not two cranes for every ship that arrived. A representative indicates that he believes that the ports are very competitive and he would not cite any difficulties or shortsightedness on the part of Los Angeles Harbor Department management as the reason for PFEL's move. Generally, the same representative would suggest that some of the "mini-max" agreements entered into a few years ago, both in Los Angeles Harbor and in Long Beach, were "sweetheart" deals for the companies receiving them. A realization of this by both harbors has caused Harbor management to move from mini-max agreements to revenue sharing agreements. PFEL still maintains passenger ship service through Wilmington in Los Angeles Harbor and discussions with representatives of PFEL indicates that they are currently again looking at facilities which are under construction in Los Angeles Harbor in contemplation of returning to L.A.

Pasha Truck Away. - Pasha left Los Angeles Harbor in February, 1973. They are major shippers of various Japanese automobiles. A representative of Pasha indicates that they left primarily due to lack of facilities. Apparently, their clients indicated to them that they must get better facilities or the clients would move to another agent. L.A. could not or would not provide the necessary facilities. Pasha had no direct agreement with the Port of Los Angeles, but operated as a sub-tenant of Fred F. Noonan, Co.

As recently as 1975 Pasha considered returning to Los Angeles. A representative of the company indicates that the Los Angeles General Manager was unable to provide the kind of facilities that Pasha required.





Prudential Grace Line. - A representative of Prudential Grace Line indicates that Prudential Grace left Los Angeles in 1972 and went to Long Beach because the facilities in Los Angeles were inadequate and L.A. could not provide the use of facilities on a priority basis. Long Beach did offer that. Then Long Beach was unwilling to offer any help in further developing the facilities that Prudential Grace was leasing. Los Angeles then did offer better facilities than Prudential Grace was able to find in Long Beach and Prudential Grace moved back.

Recommendation for Improvement: The same representative indicates that the reason that Long Beach has appeared more competitive is that they were involved earlier than L.A. in providing facilities for containerized cargo.

Sealand. - A representative of Sealand indicates that in 1969-70 the possibility of moving to Los Angeles from Long Beach was discussed. Long Beach offered a better deal economically. The representative admits that discussion with L.A. could have been solely for the purposes of gaining leverage in the negotiations with Long Beach. Long Beach did build new facilities for Sealand. Current Los Angeles Harbor Department management believes that the Harbor management during the subject time period did not support Sealand coming to Los Angeles.

Toyota. - A representative of Toyota indicates that their company was a small volume operation in 1970. At that time they moved to Long Beach Harbor when they decided that they wanted a facility for an extended period of time. The representative indicates that Long Beach offered them a more favorable package. From their recent conversations with the Los Angeles Harbor Department it appears that Los Angeles does not have the facilities to provide for Toyota now if Toyota was in a position to move. Apparently the management of Los Angeles Harbor has indicated that they do not have land at this time to allocate to automotive trade. Los Angeles Harbor Department indicated to our staff that Toyota has a maximum payment agreement with Long Beach, which L.A. will not offer due to the loss of revenue.

Vegetable Oil Products, a subsidiary of Wilsey Foods, Inc., was forced to leave Los Angeles Harbor due to environmental requirements. A representative for the Company indicates that the Los Angeles Regional Water Quality Control Board, the State Water Resources Control Board, and the L.A. Dept. of Sanitation all had some hand in enforcing the requirements that forced Vegetable Oil Products to close down their operations. Their operations have been moved out of the general Los Angeles-Long Beach Harbor area.





Prospective Tenant - Standard Oil of Ohio

Standard Oil of Ohio (SOHIO) has selected the Port of Long Beach as the site for development of a new crude oil facility. The Vice President of the SOHIO Transportation Company indicates that that company originally favored Long Beach due to the greater water depths in that Port but was strongly solicited by the Port of Los Angeles. For a four-month period SOHIO had changed to favoring development of its facility in Los Angeles, primarily due to existence of a professional environmental department which SOHIO believed would be needed in meeting California's environmental regulations. In the final analysis, however, SOHIO chose Long Beach due to the estimated dredging which would be required; 17 million cubic yards in Los Angeles as opposed to 3 million cubic yards in Long Beach. At the time, SOHIO did not expect that California Coastal Commission approval would be granted to dispose of the land fill within the Harbor and that the spoils would have to be dumped at sea. They also expected that the Coastal Commission would require some form of replacement of any areas filled. The Vice President stated that SOHIO's decisions were based entirely on what he termed "environmental issues" and not economic conditions. They further indicated that the Los Angeles Harbor Department staff "went out of their way" to be of assistance. He suggested that a primary improvement which Los Angeles could make would be to increase the water depth of the Harbor channels.

Discussion with selected tenants who maintain facilities in the Port of Los Angeles and other harbors.

Summary:

Staff contacted six tenants who occupy facilities both in the Port of Los Angeles and in another Port, or Ports. Their comments follow. Three of the six companies cited time delays in Los Angeles as compared to other ports; two citing City Hall review, a step not required in other Ports, as the reason for the greater time required in Los Angeles to process different matters.

Detail:

Marine Terminals Corporation - A stevedore company. They believe that Los Angeles is competitive. Both ports follow similar tariffs. The company often times has trouble with both harbors. They believe that Long Beach does expedite different decision-making matters, primarily because Long Beach does not have Council review. However, they would add that Marine Terminals Corporation does not really feel there is much difference between the two harbors from their point of view and from the perspective of their particular type of business.



American President Line - APL has been in a position of needing additional space and felt that L.A. had not responded to requests in a timely manner for cost estimates of modernizing current facilities and other matters. Los Angeles had offered to build facilities for APL. APL felt that they are too expensive. They have been looking at various options. One was moving to Sealand which offered APL space in Long Beach. APL had apparently been losing money because their ships were waiting too long to be unloaded. The Board of Harbor Commissioners approved contract amendments for APL to purchase one additional crane which is now in place and operating. Changes in operation of the container yard also occurred. As part of the L.A. Harbor's capital improvement program additional backlands will be provided. Also, the current agreement with APL, which does not expire for another five years, is being amended to provide for revenue sharing. APL has requested a new, 25-year contract for the same facilities.

Koppel, Inc. - A representative of Koppel, Inc. indicates that Koppel has been in Los Angeles approximately a year, as of June 1977, and they have had nothing but cooperation. They believe that the rate structure is competitive with Long Beach with the footnote that the northern ports do have lower rates on westbound cargo. L.A. is much slower in obtaining approval of facilities, processing leases, obtaining building permits, etc. Other ports take half the time of Los Angeles, including Long Beach. However, they like the facilities in Los Angeles. They believe they have been treated fairly. They believe Los Angeles has lost business to Long Beach because it is slower.

Overseas Shipping Company - A representative of Overseas Shipping, which has terminal offices in Long Beach, believes that Los Angeles Harbor is very competitive and cooperative. They have no reason to say that L.A. drags their feet and have no real comparison to other ports. They have had no trouble.

Metropolitan Stevedore Company - No problem with L.A.; it's very competitive.

Noonan Company - At the time of discussion with representatives of the Noonan Company they were in negotiations with the Los Angeles Harbor Department. The Department is filling their berth to build a container facility. The representative indicates that they believe that the management of the Harbor Department is incompetent and Noonan cannot understand that Los Angeles spends a great deal of money to attract new business and yet is forcing a stable long-term customer like Noonan out. Harbor Department management states that greater revenue will come from the new facility and that Noonan's business can be accommodated elsewhere in the Harbor.





Review of Files of the Director of Property Management.

In an attempt to assure comprehensive review of tenants who have left the Port of Los Angeles in recent years, we reviewed the files maintained by the Director of Property Management. In our review we examined a random sample of leases which have been terminated in recent years and on the same basis reviewed a number of preferential berth assignments which have been terminated. The great majority of terminations of both leases and preferential berth assignments have been the result of either companies going out of business, or more frequently, businesses expanding or consolidating leases or berth assignments. This has required that old leases or berth assignments be discontinued. Of the 35 terminated leases and preferential berth assignments reviewed, we could only determine that two represented companies which had left the City of Los Angeles for facilities elsewhere. In both cases their facilities were subsequently rented to new tenants. In a number of cases businesses were either bought out or went out of business, and again their facilities were subsequently rented to new tenants. We could not determine from the records if there was any pattern of business leaving Los Angeles to move to Long Beach or other harbor facilities elsewhere. On the contrary, the records tended to indicate that termination of leases and preferential berth assignments were the result of normal changes in companies doing business in the Harbor area and such terminations were not the result of any short-comings on the part of the Harbor Department.

Income from New Tenants Compared to Income from Those Who have Moved to Long Beach

Of the tenants listed on pages 2 - 5 who were in Los Angeles Harbor and now maintain facilities in the Port of Long Beach or elsewhere only three had direct agreements with the Port of Los Angeles, as outlined on Attachment "A". These three companies, Prudential Grace Lines, Vegetable Oil Products Co., and the Pacific Far East Lines were replaced by the Coos Head Lumber and Plywood Company, Wilmington Liquid Bulk Terminals, Inc., and the American President Lines, Farrell Lines and other shipping lines remaining at the CMI Terminal, respectively. Harbor Department records show (see Attachment "A") that revenue from each new tenant (or tenants) increased from that received from the previous tenants. Inasmuch as the other tenants who relocated to Long Beach had agreements with other main tenants we did not have access to records which might have shown a loss of income. Under both minimum-maximum agreements and straight rentals it is unlikely that any loss to Los Angeles Harbor would have been caused by the relocation. It is probable that Long Beach gained no increase in revenue from these relocations as the majority of terminal operators in Long Beach pay a fixed rent which is not increased even if terminal revenue increases.





## Tariffs

In the late 1930's, public and private ports and terminals within the ports on all U.S. coasts were involved in highly competitive struggles for cargo which resulted in rate wars between them. Rates were established which were non-compensatory or nearly so (did not cover costs of operation, replacement, etc.) and resulted in unfair competition which became economically disastrous for some ports and terminals. Many protests were registered with the Federal Maritime Commission (FMC) which prompted the Commission to direct the ports and terminals to establish associations to promote fair and honorable business practices and establish just, reasonable and, insofar as practicable, uniform rates, charges, rules and practices, etc. The alternative was that otherwise the Commission would itself regulate all the public and private ports and terminals under its authority as established in the Shipping Act of 1916. The California Association of Port Authorities (CAPA) was formed under FMC Agreement No. 7345 in 1940.

CAPA members are bound to follow certain procedures in connection with making tariff changes. Any change in tariffs proposed for all members affecting rates, charges, classifications, rules, regulations or practices by any member must receive unanimous approval from the members of CAPA. Failing to receive unanimous approval, a member may propose that his port or any other port so desiring, may make the proposed change which requires only a majority approval and essentially permits one or more ports to make the change. In the event that unanimous or majority approval is not received, the member may take independent action to effect the change after going through the prescribed notification procedure. Any member or other port may protest a tariff change to the FMC if they determine that the change results in non-compensatory rates or otherwise results in unfair competition. When such a protest is filed, the offending port has the burden of proof before the FMC.

## Comparision of Agreements Covering Major Tenants in Long Beach and Los Angeles

Under CAPA, Los Angeles and Long Beach maintain generally identical tariffs. However, the Federal Maritime Commission has allowed ports throughout the United States to enter into various agreements which allow major terminal operators to pay only a straight rental for facilities, or to pay what is called a minimum-maximum, in which the operator guarantees a minimum and does not have to pay beyond the maximum amount, or increasingly, revenue sharing agreements which allow for a sharing of profits between the operator and the port. Straight rental and minimum-maximum agreements allow the terminal operators to receive what had previously been port revenue, at times when revenue from tariffs exceed the fixed or maximum payments.



Two of the major terminal operators in Long Beach Harbor, Sealand and United States Line, are currently on straight rentals. The International Transportation Service, another major terminal operator, has a choice of a minimum-maximum or a straight rental, and the Pacific Container Terminal is on a minimum-maximum.

All of these agreements require that sub-tenants and users of these various facilities pay full tariff. However, the ports do not receive the full tariff but only a straight rental payment for the facility or a maximum amount, over which the profits are the possession of the terminal operator. The greater revenue received by the terminal operators allow for the provision of greater service and sharing of revenue with sub-tenants.

As of June, 1977, Los Angeles Harbor had only one remaining minimum-maximum agreement. All others have been changed to revenue sharing.

Those companies which are still operating under minimum-maximum agreements or leases, e.g., Sealand, L.A. Container Terminal, and the International Transportation Service, are still able to offer to other shipping companies much better financial conditions than either of the respective Harbor Departments, other companies operating under revenue sharing agreements, or companies operating under agreements that were entered into before the minimum-maximum agreements were in vogue.

#### Discussions with Current and Former Harbor Commissioners

As part of our review of the question of the competitive position of the Port of Los Angeles we contacted the following current and former Harbor Commissioners: Frederick Heim, Gene Kaplan, George Izumi, Roy Ferkich, John Chu, Frank Sullivan, Terrence Mathews, John Royal, Victor Carter, John Kilroy and Nate DiBiasi. In regards to this section of report they were asked the following:

"Do you believe that the Port of Los Angeles has a problem in being competitive with other Ports and, if so, what measures would you support to improve this competitive position?"

Ten out of 11 Commissioners questioned believe that the Port of Los Angeles does have a problem with being competitive with other harbors, although the 10 individuals differed in their description of the nature and extent of the problem.

Over half of all the current and past Commissioners questioned identified "interference by City government" and a "lack of autonomy" of the Harbor Commission as a problem in maintaining the competitive posture of the Port of Los Angeles with other harbors. Specifically cited were time delays in processing and obtaining approval of various matters; the public airing of Port problems, which it was maintained, damages the Port





in the eyes of its tenants and potential tenants; uncertainty of Commissioners' tenure and the high turnover rate of Commissioners, and political interference in Port decisions. Specific recommendations for change included: Council establishment of general guidelines on various matters which would leave the Commission and Harbor Department with some certainty as to Council position on these matters; faster processing and approval of Harbor Department matters; and better relationship between City Hall, Harbor Commissioners, and Department staff to allow for informal discussion of port problems and opportunities for development.

Over half of the current and past Commissioners questioned felt that the port needs to be more aggressive in the execution of its capital program. These individuals made the following recommendations: modernization and expansion of facilities, the dredging of the main channel, development of additional containerized cargo facilities (cranes and backlands).

Three of the eleven suggested that some operations of the harbor could, on basis of a cost-benefit analysis, be discontinued or provided at less cost by contracts with private industry. Suggestions included: discontinuing the Trade Development Department on the basis that there is no proof that it has created business; and contracting for pilot services, port security, and maintenance services, etc.

The same number of Commissioners suggested that the entire top management of the Harbor Department, not just the general manager, should be exempted from the civil service system and two of the eleven indicated their dissatisfaction with the current management and suggested that the current management should be replaced.

Other comments coming from individual Commissioners included: 1) L.A. Harbor should not compete with Long Beach but rather should enter into joint ventures which would then involve both ports in competing with other West Coast ports, 2) Since major revenues come from oil and other petroleum products, Harbor Department efforts should be focused on increasing energy-related cargo, 3) Establish requirements for Harbor Commission appointees in such areas as finance, contract administration, real estate management, personnel management, engineering, etc. 4) Resolve staff problems, internal conflicts which exist in the Harbor Department 5) Establish better relationship among shipping lines, the Harbor Department, and Commission.





Comparison of Los Angeles/Long Beach Income

Shown on page 13 is a comparison of net income to the Ports of Los Angeles and Long Beach for fiscal years 1963 through 1977. Los Angeles has consistently led Long Beach in net income over the subject time period. Year to year downward fluctuations in net income, experienced by both parts at approximately the same times, have been the result of downturns in the broader economy and industry-wide incidents such as strikes in the shipping industry.

The Chief Accounting Office of the Port of Los Angeles and the Controller of the Port of Long Beach have provided the following figures for the value of the two respective ports' fixed properties, before depreciation (land, facilities, equipment and construction in process):

	<u>Value of Fixed Properties</u>	
	<u>1966</u>	<u>1975</u>
Los Angeles	\$176,026,700	\$234,084,444
Long Beach	\$163,203,404	\$237,566,147

Revenue Available to the Ports of Los Angeles and Long Beach for Port Development

Since a lack of required facilities has been cited by both various tenants and by past and current Harbor Commissioners as the significant reason for Los Angeles Port's difficulties in maintaining a competitive position with Long Beach, we have reviewed the revenues available to both ports over the life of each Harbor. It has been suggested that significant oil revenues available to Long Beach played a major part in creating a competitive edge for that port.

We have examined both bonded indebtedness and oil revenues as indicators of difference in revenue available to the two ports.

The early development of Los Angeles Harbor was financed by the issuance, between 1908 and 1929, of \$29,900,000 of City of Los Angeles General Obligation Bonds, the last of which matured on November 1, 1968. No bonds were issued for the Harbor between 1930 to 1960. All harbor improvements were paid on a pay-as-you-go basis, entirely from Harbor revenues. In 1959 a comprehensive improvement program was developed which required long term financing. A 1959 amendment to the City Charter gave the Harbor Department authorization to issue revenue bonds and provided a means for meeting future capital needs on an entirely self-supporting basis. Since the enactment



Comparison of Net Income

Los Angeles - Long Beach

1963 to 1977







of this amendment, there have been four issues of revenue bonds by the Department. A total of \$28 million was authorized in July 1960 and was sold in two issues of \$14 million each. A third issue, of \$11 million, was authorized in October 1964 and sold in March 1965. A fourth issue consisted of \$15 million sold in February 1971 from a \$25 million October 1970 authorization. As of this date all outstanding bonds will be retired by their terms by June 30, 1997.

Los Angeles Harbor had a bonded indebtedness of \$34,408,000 outstanding as of March 31, 1977.

The Harbor Department, in May 1977, requested authorization to issue bonds in the amount of \$30 million and expected to later request authorization for an issue of \$40 million to meet the current 5-year capital program. On November 23, 1977 the Harbor Department withdrew its request for the authorization for the \$30 million bond issue.

In comparison, the Port of Long Beach issued, during the period 1909 to 1928, harbor improvement bonds in the amount of \$10,945,000. These issues have all been retired. There were no harbor improvement bonds or other bonds issued by the Port of Long Beach between 1928 and 1970. At that time \$30 million in harbor revenue bonds were issued. As of June 30, 1976 \$24,770,000 of the Harbor Revenue Bonds were outstanding. In 1972 Long Beach issued Harbor Refunding Revenue Bonds in the amount of \$21,900,000 to recall the 1970 revenue bonds. The net bonded indebtedness as of June 30, 1976 was \$24,836,000.

The Comptroller of the Port of Long Beach indicates that as of June 30, 1976 the port equity in total assets was \$213,554,652. Of this amount, \$156,362,843, or 73%, came from investment of that Port's oil production revenues.

Oil revenue to the Port of Los Angeles in recent years has been as follows:

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Oil Revenue</u>	<u>Oil Revenue As Percentage of Gross Revenue</u>
1974-75	\$24.9 million	\$1.9 million	7.6%
1975-76	27.7 million	2.4 million	8.6%
1976-77	34.8 million	2.2 million	6.3%



The Chief Accounting Officer of the Los Angeles Harbor Department estimates that only 10% or less of the Los Angeles Port's equity in total assets was contributed by oil production revenues.

It appears that Long Beach has been able to finance the majority of its capital improvement program from oil revenues as opposed to Los Angeles' reliance on borrowed capital. It can be stated with some certitude that the Port of Long Beach's ability to provide better facilities to its tenants and prospective tenants derives from a long standing availability of revenues which has both spurred that port's capital program and attenuated the need to borrow funds, thus retaining more operating revenue for facility development.

Federal Grants and Financial Support Received by the Port of Los Angeles

The following is a list of grants and financial support that the Harbor Department has received:

1. Public Works Employment Act, Round I (PWEA I) (1976)	<u>Funding Agency</u>	<u>Local</u>	<u>Total</u>
a. Harbor Area Improvements	\$ 500,000	--	\$ 500,000
b. Waterfront Improvement	3,800,000	--	3,800,000
c. Construct Channel & Bank Improvements	2,800,000	--	2,800,000
d. Street Improvements on Terminal Island	800,000	--	800,000
2. Cabrillo Beach Launching Ramp (1971-74)	350,000	\$340,000	690,000
3. Army Corps of Engineers (1896-1972)	37,558,894	--	37,558,894
TOTAL:			\$46,148,894

The \$37,558,894 figure includes work done by the Army Corps of Engineers which also involves the Harbor of Long Beach, and is not allocable exactly to Los Angeles, such as the breakwater. This figure of the value of the Army Corps of Engineers' dredging and constructing Terminal Island and the breakwater is the Corps' evaluation, dated 1972.

We are advised that the Port of Oakland has received significant funds over recent years from the Economic Development Administration (Department of Commerce) for construction of major container handling facilities in that Port.

Through a previous search of grant sources by this office it appears that additional grant funds are available to assist the Port of Los Angeles. We recommend that the Harbor Department be requested to work with the Office of the Chief Legislative Analyst to identify and secure such additional grant funds.



CAO 1974 Audit

The 1974 City Administrative Officer's audit of the Harbor Department included a total of 55 recommendations. Of those recommendations, we have identified 11 recommendations which have at least an indirect relationship to the Harbor's competitive position. These recommendations, as shown on Attachment "B", were all completed and/or implemented by October, 1976. More detail on these recommendations is provided on the attachment. These recommendations included: the establishment of an organization chart, the completion of a master plan, cost accounting to allocate revenue and cost by facility, establishment of a multi-year Capital Improvement Program and annual project design program based on the CIP, development of an annual maintenance program, and provision of various reports on commodity movements, new technology, and economic trends to the Planning and Research Division.

1976 Industrial and Administrative Survey Comments on Port of Los Angeles Capital Program

Inasmuch as the consistent reason given by tenants who have left Los Angeles for Long Beach for their moving was the lack of required facilities in Los Angeles, we have reviewed the 1976 Industrial and Administrative (I&A) Survey for comments on the need, or lack thereof, to implement the Port of Los Angeles' Capital Development Program. We have also reviewed the I&A Survey for suggestions which relate to the Port's competitive position in general.

While not clearly stated in the I&A Survey, it appears that container terminals, including current projects underway to develop new container terminal capacity, are adequate to meet the need of current and short-term commerce.

The I&A Survey states that, "At some time in the future, perhaps in 5 years, expansion in break-bulk terminal capacity may be required."

The Project Director of the I&A Survey stated in a letter to the City Administrative Officer, dated September 12, 1977, "that based on our observations, findings, and general knowledge there are no reasons to question the validity of the need for the bond sale (to support the Port's Capital Program)." However, the Project Director indicated in the same letter that the focus of their study was not the evaluation of the justification of specific projects but the evaluation of the effectiveness of the management technology and information employed by the Harbor Department.

The I&A Survey also makes two specific recommendations which relate to the Port's general competitive position. The first is that a marketing division be created combining the present functions of trade development, property management, rate analysis, and public relations. The second is the creation of a new project management division to include a new project planning and control section and the current contract administration groups. The new division would be charged with monitoring execution of all projects, including those contained in the Port's Capital Program.







TENANT AUTHORITY FOR OCCUPANCY LOCATION	REVENUE TO PLA (LAST YEAR OF TENANCY)	LAND RENT	WHARFAGE, DOCKAGE, STORAGE & DEMURRAGE	REPLACEMENT TENANT PERMIT AUTHORITY LOCATION	REVENUE TO PLA (FIRST YEAR OF TENANCY)	LAND WHARFAGE, DOCKAGE, RENT STORAGE & DEMURRAGE
Fruitful Grace Lines P.B.A. #249 eff. 5-1-70 replaced 6-15-72 Berths 188-191	(6-15-71 to 6-15-72)	N/A	\$ 78,484.85	Cos. Henshaw and Physical Co. N.P.B.A. #244 eff. 8-1-72 to present Berths 188-191 Also R.P. #1147 eff. 8-1-72 to present Transit shed at Berths 189-190, and two land parcels totaling 179,105 sq. ft. to rear of Berths 192-194	(8-1-72 to 8-1-73)	\$ 69,861.44 including shed rental  Total Revenue \$ 136,504.13
Total Revenue			\$ 78,484.85			
Vegetable Oil Products Co. Permit No. 55 @ Order No. 3489 eff. 7-1-73 to 6-30-87* Asgt. to Wilmington Liquid Bulk Terminals 7-17-74 Use of Wharf at Berth 187, and 364, 378 sq. ft. area to rear.	(4-1-73 to 4-1-74)	\$ 42,580.92	\$ 20,422.04	Wilmington Liquid Bulk Terminals Inc. Took occupancy of area 3-27-74 by authority of Order No. 4379 prior to Asgt from VOPCO eff. 7-17-74 of Permit No. 55, Order No. 3489 same areas as used by VOPCO.	(4-1-74 to 4-1-75)	\$ 42,580.92  \$ 40,819.55  Total Revenue \$ 83,400.51
Total Revenue			\$ 63,002.96			
Pasha Truckaway was never H.P. tenant or subtenant, but had unwritten agmt. with Fred F. Noonan Co. to handle Toyotas and other Japanese auto imports at Noonan's facilities under N.P.B.A. #275 - Berths 230-232 Occupancy from Feb 1969 to Dec 1972	(12-1-71 to 12-1-72)	N/A	(Storage only) \$ 82,532.66 (Applicable Wharfage & Dockage not separable)	Replaced by various other foreign auto import handlers also operating under unwritten agmts. with Fred F. Noonan Co.	(Not Available)	
Total Revenue			\$ 82,532.66			
Pacific Far East Lines - operated under CMI (Terminal Operator) P.B.A. #168 and subsequent agreements - used wharves at Berths 90-93A,B,C Revenues & Tariff No 3	(4-1-75 to 4-1-76)	N/A	P.F.E.L. - \$ 406,385.04 Revenues attributable to A.P.L. & Farrell Lines - \$ 1,904,174.39	American President Lines, Farrell Lines and others remaining at CMI Terminal	(Fiscal Year 1976-77) (last 5 months projected)	(P.F.E.L. still maintains some operations at the Terminal which contribute to total revenue)
Total Revenue at Terminal			\$ 2,310,559.43			Total Revenue at Terminal } \$ 2,791,207.90



ATTACHMENT "B"

Recommendations of the CAO 1974 Audit

Which Relate to the Port of Los Angeles Competitive

Situation, Implemented as of

October, 1976

Recommendation No. 3

Clearly delineate the responsibilities of each division and fix the responsibilities of all administrative positions.

Status

A Department organization chart is presented annually to the Board of Harbor Commissioners. Each position listed thereon has a clearly defined job specification.

Recommendation No. 9

It is further recommended that the Board of Harbor Commissioners direct the General Manager to:

Prepare a time-phased plan, based upon the adopted budget, which shows: (1) revenue receipts by source; (2) cargo tonnage by major components; (3) expenditures, work accomplishment and personnel utilization for the capital improvement program, maintenance program, and other operations.

Furnish the Commission a report, not less than quarterly, setting forth actual accomplishment as compared to plan and an explanation of significant deviations.

Status

There are many internal reports generated by the Data Processing Section that contain information on (1) revenue receipts by source, comparing the amounts received against the anticipated amounts in the budget, on a monthly schedule; (2) cargo tonnage by major components; (3) expenditures by maintenance and capital projects based on the adopted budget on a monthly schedule and maintenance and capital work accomplished and personnel utilization and expenditures by cost centers, classifications and engineering and maintenance activities, etc. on payroll and monthly schedules.



The major objective of the Administration Division, and a primary requirement of the current Industrial and Administrative Survey, is to develop a meaningful and informative management report which will consolidate all the information now collected to produce a report quarterly for submission to the Board of Harbor Commissioners. At the present time, the Accounting Section has developed a quarterly financial report comparing operation this fiscal year against a similar period the previous fiscal year. This will be prepared on an accrual basis and the first report will be for the quarter ending September 30, 1976.

#### Recommendation No. 10

Expedite the completion of the Master Plan including the Marketing Study.

#### Status

The Comprehensive Master Plan was completed and printed in March, 1976. The printed plan is now being reviewed by management and the Board of Harbor Commissioners. The timetable is to hold a Public Hearing if changes are material, and recommend adoption by the Board of Harbor Commissioners in the early part of 1977, then submit the plan to the State Commission for certification.

The Comprehensive Master Plan contained a minimal type marketing study covering the commodity classifications. A full in-depth marketing study as contemplated in the CAO recommendation is being proposed as a joint project with the Port of Long Beach.

#### Recommendation No. 11

Develop, install, and maintain a cost accounting system that will allocate revenue and direct and indirect costs to each revenue producing facility and provide periodic reports to management showing the profitability of each facility.

Establish a Cost Accounting Section and request the necessary professional accounting positions with cost accounting skills to accomplish the foregoing.

#### Status

A Cost Accounting Section has been established. It is staffed by a Principal Accountant, a Senior Accountant and an Accountant. It is presently developing a cost accounting system. In addition, the Industrial and Administrative Survey team is presently reviewing the cost information presently generated by the Department with the aim of recommending the development of an asset management system.







### Recommendation No. 12

Establish a management committee to recommend a multi-year capital improvement program including a financial plan.

Designate the Planning and Research Director to coordinate the preparation of the plan and recommend priorities to the Committee.

#### Status

A Management Committee was established. This Committee was comprised of the Planning & Research Director, the Chief Harbor Engineer, the General Manager, and the Assistant General Manager. In the latter part of 1974 a six-year Capital Improvement Program was recommended and adopted by the Board of Harbor Commissioners. This Committee has now evolved into the Assistant General Manager and the Chief Harbor Engineer, who are now responsible for coordinating the preparation of the plan and recommending priorities to the General Manager. The Port is currently in the process of developing a finance plan with the assistance of an independent engineering firm and a nationally recognized financial consultant to finance the Capital Improvement Program of the Department.

### Recommendation No. 13

Provide for the formal adoption by the Board of an annual project design program which supports the capital improvement program.

#### Status

The "Harbor Department's Annual Capital Improvement Program" is submitted to the Board of Harbor Commissioners for its review and approval, as part of the Department's annual budget process. The final Board approved "Annual Capital Improvement Program" is then formally adopted by the Board and transmitted to the Mayor for inclusion in his annual budget. The Harbor Department's annual project design program is included as an integral part of the "Department's Annual Capital Improvement Program." Further review of this recommendation is contemplated and will be discussed with the Industrial & Administrative Survey team.

### Recommendation No. 15

Expedite the preparation of promotion materials to assist trade promotion personnel in selling the advantages of the Port of Los Angeles.

#### Status

In October, a new brochure will be ready for review by staff. This new booklet will take the place of three (3) existing booklets and is aimed specifically at assisting Trade Promotion personnel in selling the advantages of the Port of Los Angeles. The Public Relations Division has also completed the "Services and Facilities Handbook." This has been given high praise by customers and industry.



#### Recommendation No. 16

Direct the Planning and Research Director to:

Prepare feasibility reports on all proposed projects before they are submitted to the Board for approval.

Make a comprehensive study of the adequacy and utilization of buildings and land under berth assignment.

#### Status

Since the reorganization of the Harbor Department, feasibility reports are prepared under the direction of the Assistant General Manager. The Planning and Research Director has prepared a berth utilization study of all berths in the Harbor.

#### Recommendation No. 17

Prepare an annual maintenance program of major jobs to be included in the budget with input from the various divisions.

Provide for input from various divisions on unscheduled major jobs that arise during the year.

#### Status

An annual maintenance program is now included in the Budget and all divisions have the opportunity to review and to give input to the detail worksheets used to prepare the budget. This recommendation will no doubt be reviewed and possibly expanded on by the I & A Survey Team. Other divisions, such as Property Management, communicate their input to the Engineering Division regarding unscheduled major maintenance jobs that arise during the year.

#### Recommendation No. 31

Route proposed berth assignments through the Property Management Division for comment and suggestions.

#### Status

Following the Department reorganization, proposed berth assignments are negotiated and processed through the Director of Port Operations and processed through and prepared by the Property Management Section. Under the new Department organization, the Property Management Section is under the Director of Operations, so close liaison and full input of comments and suggestions from both offices in connection with proposed berth assignments has been implemented for effectiveness and efficiency.



Recommendation No. 40

Direct the Traffic Manager to:

Regularly transmit information concerning commodity movements, technological developments, and economic trends to the Planning and Research Division.

Conduct a periodic and systematic review of the Port's tariffs and recommend revisions.

Status

Information is transmitted from the Traffic Division to the Planning and Research Division on a from time-to-time basis, as needed. The Rate Analysis function has been transferred from the Traffic Division and is now handled by the Assistant General Manager, who periodically recommends revisions.





10. REASONS FOR DELAY IN FILLING VACANCIES IN THE DEPARTMENT'S LONDON AND TOKYO OFFICES AND THE NEED FOR THESE OFFICES

The Harbor Department presently operates an office in Tokyo, Japan to coordinate trade matters and has a part-time representative in Taipei, Taiwan. A similar office was formerly in use in London, England.

When your Committee directed that our study be initiated, the London office had been closed by the Department and the Tokyo office had only recently been restaffed after the death of the previous Department representative. After discussing these developments, you asked that we report on the reason for the delay in filling the Tokyo position, and whether such offices are needed.

The Tokyo position was unfilled for approximately a year, while the Department selected a replacement. We have been advised that the choice of the "Far East Representative" had to be considered carefully because the individual selected should serve on a long-term basis in order to obtain optimum relationships with the Japanese business community. The Department wished to assure itself that the person chosen would prove to be the best employee available, and that a further change would not be necessary in the near future.

The person selected is Mr. Katsuya Yokoyama.

As to the London office, we are informed that the volume of the Port's trade attributable to Europe is no longer sufficient to warrant the expenditure for staffing the office. Instead, the Department relies on trade missions to develop business. The London office has now been closed for over four years.

A total of seventeen ports reportedly have offices in Tokyo, while no West Coast ports have European offices. The Ports of Seattle and Oakland have offices in New York City which handle their European trade. A spokesman for the Los Angeles Harbor Department stated that our Department has considered the advisability of operating a New York office, but that it has been decided against thus far because of budgetary considerations.

On the basis of these explanations, we are satisfied that the Tokyo office is necessary for deriving the maximum amount of Port business. The percentages of trade reported for Los Angeles and other West Coast ports would seem to justify the closing of the London office.





11. HARBOR COMMISSION AND DEPARTMENT COMPLIANCE  
WITH CITY'S LEGISLATIVE PROCEDURE MANUAL

The City's Legislative Procedure Manual requires that, when any City department intends to communicate a legislative or administrative policy position to another governmental agency, that communication must be consistent with adopted City Council policy.

Because of the Charter-imposed responsibilities of the Harbor Commission and the tendency for many Port problems to be distinct from other areas of City involvement, the Commission and the Department management have developed direct working relationships with the state and federal agencies over the years. On some occasions, Commissioners and management have expressed positions which impact on City policy as part of their participation in the California Association of Port Authorities (CAPA).

The relationships built up by City commissioners and department management in their special areas of expertise can be of significant benefit to the achieving of City goals when there is a careful attention to the proper coordination of the needs of a department to the needs of the City as a whole. Additionally, in our role of providing legislative representation, we recognize that there are instances where associations such as CAPA can be a valuable ally for the City in supporting or opposing bills.

There have been occasions in the past when City departments have expressed positions to other agencies in conflict with adopted Council policy, or taken positions on important areas which the Council had not yet considered. For this reason, the Council has adopted and later amended its Legislative Manual.

The recent record of the Harbor Department and Commission in this respect has been improved. We note that the Commission has sought the review and approval of the City Council for each federal or state legislative position which it has officially taken in the past year--a procedure entirely in keeping with the Manual. At the same time, the City's legislative representatives do not report any instance where the Department opposed a City position on a major issue through CAPA.

We therefore conclude that, over the period of this study, the record of the Harbor Commission and Department has been one of cooperation.

However, to avoid the differences and misunderstanding of the past, we recommend that the City Council again express its intent that the spirit of the Organization and Procedures Manual on Legislative Matters Affecting the City of Los Angeles be followed in all instances.

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